





Business travel Reclaiming VAT: Europe's maze



British farmers Fat years for some lean for the rest



Today's surveys

Denmark Pages 10-12

FINANCIAL TIMES

Bayer in \$200m drive to expand Chinese presence

Bayer, the German chemicals and pharmaceuticals group, is to invest \$200m in six Chinese enterprises as part of a drive by the company to establish a comprehensive presence in China.

The ventures covered by the umbrella agreement signed with the Beijing government at the weekend include plastics manufacturing, the production of tanning agents and dyes, and the packaging of photographic film. Page 17

Poll blow to Hindu party: The radical Hindu opposition Bharatiya Janata party, whose supporters last year unleashed unrest and political turmoil in India after storming the Ayodhya mosque, suffered a serious setback in the most important polls since the 1991 general election. Page 16

Scientific-Atlanta, communications technology group, is to provide a private satellite network for Volkswagen which will eventually link its dealers all over Europe. When complete the network will be by far the largest in Europe with



The flight of Pable Escobar's family from Colombia has fuelled speculation that the Medellin drug chief - on the run since escaping from jail 16 months ago — is about to surrender to the authorities. His wife Victoria (pic-tured left; covered by a jacket, at Medellin airport) and his two children, Juan Pablo and Manuela, flew to Begota and then Germany. However

at Frankfurt airport said the family members, who were questioned for four hours, would be sent back to Colombia. Migerian leader forms cabinet: General Sani Abacha strengthened his position as Nigeria's

new head of state by garging army officers loyal to the former military ruler, Gen Ibrahim Bahan-gida. He also formed a civilian cabinet which includes some respected ministers. Page 4: Lonrino, UK-based conglomerate, is ready to

complete deals worth hundreds of millions of pounds with Libya if a film shows that country to be innocent of the Lockerbie bombing, joint chief executive Tiny Rowland said. The documentary is being made by a company two-thirds owned. by Lonrho. Page 16

said it would never give up its nuclear programme until there was an agreement to make the south Asia region a nuclear wespons free zone. Page 4

Cheisfield, UK private property company, is coming to market through a placing and intermedi-aries offer likely to value the group at between 2240m (\$355m) and 2250m. Page 17

PM offers to quit: Werner Münch, prime minister of the eastern German state of Saxony-Anhalt, offered the resignation of his government following disclosures that the cabinet's west German mem-bers had paid themselves too much. Page 3

Fears over Berlusconi broadcast: Prominent Italian left-wing and centrist politicians warned against the misuse of media power after Silvio Berlusconi used his private television channels to broadcast a 90-minute press conference outlining his political ambitions. Page 3

European Monetary System: The Irish punt moved above the D-Mark within the system, as investors bought it on the back of a stronger UK pound. The Dutch guilder remained the strongest currency but the gap between it and the Danish krone, the weakest member, narrowed to 4.32 per cent from 4.51 per cent. The Portuguese escudo slipped back to close just above the krone after heavy selling at the end of the week. Currencies, Page 29

November 26, 1993

EMS: Grid

Gullder trish Pust D.Mark **B.Franc** F.Franc Page 12 D.Krons

The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies can fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Landmine kills policemen: Ten Indian policemen travelling in a vehicle were killed by a landmine planted by suspected Maoist guarrillas in the central state of Madhya Pradesh.

Formazzi: The next 72 hours could be decisive for the Italian group as bankers and shareholders gather for a string of meetings to determine its future. Page 17



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Patten will seek to push through HK reform

By Simon Holberton in Hong Kong and Tony Walker in Beijing

Mr Chris Patten, governor of Hong Kong, is tomorrow expec-ted to recommend to the British government that the colony should go ahead with the first stage of his controversial electoral reform legislation.

This move comes after China blamed Britain for what it called the "failure" of the latest round of talks on Hong Kong's future.

A terse dispatch carried by the official Xinhua news agency said the breakdown had occurred in

spite of China's "best and thorough efforts" to reach agreement. China, which takes over the running of Hong Kong in 1997, "We are not walking away has denounced repeatedly Mr from any negotiating table; what

Patten's plans to broaden the we are doing is walking firmly in

franchise for local and Legisla-tive Council (LegCo) elections Beijing's first official comment on the 17th round of the talks, which ended on Saturday. Mr Patten and his executive

council will meet tomorrow to

consider pushing ahead with his democracy legislation despite the apparent breakdown of talks. The governor, who described the latest session as "another sad and disappointing round", said

the direction of our responsibili-ties and that we'll continue to do," Mr Patten said.

China blames Britain for 'failure' of latest talks

But negotiations, which began in April, are at an impasse, with both sides claiming they can go no further. Although Britain offered an 18th round, western officials in Beijing regarded it as ominous that the talks ended without an undertaking to meet again, a departure from previous practice.

Mr Patten is likely to face tough questioning on the talks when he addresses the Legislative Council on Thursday. Mr Yeung Sum, a leading pro-democracy activist, called on both sides to be more open. "They should come out and explain to the people of Hong Kong why there isn't another round of talks. Does that mean that the talks have come to

a stop or not?" he said. Britain had hoped to reach a first-stage agreement on less contentious issues, such as local gov-ernment elections, which are due next year. During the summer, Britain retreated from Mr Patten's original proposals for Hong Kong's democratic development, but to date the Chinese government has made no commensurate

had hardened its position in the last two rounds, after earlier appearing willing to compromise.
One Hong Kong official said:
"There is a feeling of irritation bordering on anger about what they did between the 15th and 15th rounds." 16th rounds."

Mr Patten's administration has claimed all along that the Hong Kong government needs to legislate for local government elections due next year and for LegCo elections in 1995. An agreement on the so-called "simple" issues, which cover the 1994 polls, would have allowed more time to discuss arrangements for the 1995 elections.

Shadow of Deng darkens hopes

Disclosure prompts storm of criticism Major accused of lying

Ulster peace effort hit by UK dialogue with IRA

The British government was last night struggling to salvage efforts to restore peace to North-ern Ireland after a damaging dmission that it had been in prolonged contact with the Irish

Republican Army.
The disclosure led to a storm of criticism from hard-line loyalists in the province, who support the union of Northern Ireland with the rest of the United Kingdom.

and accusations of duplicity from UK opposition parties. Sir Patrick Maynew, the Northern Ireland secretary, said he would today make a full statement to parliament on the con-

The dialogue, stretching back to last February and including an exchange as late as November 5, marks the most intensive deal-ings between the British government and the IRA for at least a

But its disclosure cast a shadow over a forthcoming sum-mit meeting between Mr John Major, the UK prime minister and Mr Albert Reynolds, his Irish counterpart.

The summit is still pencilled in for Friday but there were doubts in Whitehall last night about whether the present atmosphere would provide a background against which the two leaders could expect to make a break-

through in their search for a Mr Major gave firm backing to Sir Patrick's insistence that a series of messages - passed

Major embarks on damage limitation Business says N Ireland must grasp opportunityPege 16

through an intermediary to Sinn Fein, the IRA's political wing, had not amounted to negotiating with terrorists.

Downing Street said there was no question of the Northern Ireland secretary being forced to resign because of at least three meetings - in March, August and November - between the unnamed intermediary and representatives of Sinn Fein. It would have been "irresponsible" not to respond to such overtures.

But ministers admitted privately that the weekend disclosures sat uneasily with the repeated and vigorous denials in recent weeks from Mr Major and Sir Patrick that there had been negotiations or "talks" with the IRA. They also acknowledged that the affair may have severely damaged hopes of bringing the provinces's unionists into talks on a new political settlement.

The Rev William McCres, a Democrat Unionist MP, who begun in February with an made public documents confirm approach from the IRA suggest-



Major of telling direct lies when he met the prime minister last week with the Rev Ian Paisely, the DUP leader.

Reaction from the more moder ate Uister Unionist party, however, was significantly more res tained with the party's MPs saying they would wait for Sir Patrick's full statement before taking a definite position.

Sir Patrick said yesterday no civil servants had been involved in "authorised" contacts with Sinn Féin through a "chain" established several years ago when Lady Thatcher was prime minister. The latest process had

ing the contacts accused Mr ing it wanted advice on ending no response, had the government its armed campaign, he said. Sir Patrick told a hastily-convened press conference in Belfast that "I do not believe had I made

made no response, that if subsequent bombs were exploded and

Continued on Page 16

Colosio favoured to become Mexican president

Mexico's ruling Institutional Revolutionary party has chosen Mr Luis Donaldo Colosio, an economic reformer and current social development minister, as its candidate for next year's pres-

idential election.
The PRI, which announced its decision yesterday, has been in power for 64 years, and Mr Colosio is the strong favourite to win next August's election, taking over from President Carlos

Under Mexico's constitution, the winner will govern the country from December 1 next year until the end of 2000.

Mr Colosio, 43, was front-runner for the succession, partly because of his loyalty to Presi-dent Salinas and partly because of his economic and political goals. He is expected to push ahead with the pro-market economic reforms and cautious political changes which marked the Salinas presidency.

Mr Colosio said before he was nominated that he would give more power to the states, tradi-tionally dominated by Mexico City. He said deregulation and economic reform had to be extended if Mexico was to become more competitive and the political system more democratic.

As social development minister, Mr Colosio has been responsible for the government's antipoverty programme and environ mental policy. He has travelled the country inaugurating public works projects, and has built an array of contacts at local level.

Critics say he has no clear philosophy of government and may not be able to respond adequately to short-term problems. A minister who has sat with him in cabinet says he made few significant contributions, and few of the ministers present knew what he

Mr Colosio was the only one of the candidates to have held elected office. Supporters say he will provide continuity with President Salinas.

Mr Colosio was born in the northern town of Magdelena,

Continued on Page 16

Swiss vote for introduction of value added tax in 1995

By lan Rodger in Zurich

Switzerland's voters yesterday approved the introduction of a value added tax, indicating a new

tion of VAT was a surprisingly strong 65 per cent, and was unusually consistent across the cantons of this culturally diverse

over tax with a universal VAT. However, the VAT issue had a more urgent context this year in European markets.

For its part, the government pleaded for a broader revenue base to meet its increased responsibilities. Government spending has soared during the recession, policy towards guest workers.

goods tax falling 14 per cent. The federal deficit is likely to exceed SFr/bn (\$4.6bn) this year, more than double the initial estimate. The introduction of VAT is estimated to bring in an estimated

the parliamentary finance com-mittee, said the outcome of the referendum showed the maturity of Swiss voters, who also gave the government qualified authority to raise VAT by 1 per cent in the future to help finance the

advice to veto a proposal to ban

tax at a time when they faced the VAT rate at 6.5 per cent increasing difficulties competing instead of the current 6.2 per cent instead of the current 6.2 per cent for turnover tax. The new rate will apply from January 1, 1995. Ms Vreny Spoerry, chairman of

willingness to align fiscal and economic policies with those of other European countries.

The majority for the introduc-

country.
On three previous occasions in the past two decades, the latest only two years ago, Swiss voters rejected government proposals to replace an outmoded goods turn-

than in the past. Swiss compa-nies have complained of the excessive burden of the old goods

mainly to cover the costs of unemployment insurance. This in turn reflects of its more humane Government revenues have declined, with revenue from the

SFrl.7bn in new annual revenue. Voters also replied positively to vigorous appeals from govern-ment leaders for the higher of two VAT rates, opting for setting advertising, while 167,257 were in favour and 586,027 against a ban on tobacco advertising.

public pension scheme.
They also followed government

tobacco and liquor advertising. Over three-quarters of those voting rejected the proposal, advanced by a petition supported by Swiss doctors. Early results showed 163,694 in favour and 588,605 against a ban on alcohol

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The Chinese leader has set the tone for talks on Hong Kong, which now seem to have collapsed

Shadow of Deng darkens hopes for democracy

Pronouncements by China's paramount leader, Deng Xiaoping, on Hong Kong may not have quite the same messianic force as a futuo issued by an Iranian ayatollah but they have set the tone for an uncompromising Chinese position.

These include his warning in September 1982 to Lady Thatcher, then British prime minister, that in the event of unrest in the colony during the transition to 1997 China reserved

transfer. More importantly, he advised Britain's premier, fresh from her victory in the Falklands war. that sovereignty was non-negotiable. Chinese officials, taking their lead from Mr Deng's "talk", have played hardball over Hong Kong's future, first in negotiations on the Joint Declaration of 1984 in which Britain ceded sovereignty, and subsequently in discussions on the Basic Law the colony's post-1997 constitution.

Mr Deng is also reported to have warned in conversation with colleagues that Britain would resort to waters in the lead-up to 1997. Mr Patten's plans to broaden the franchise for elections in Hong Kong appear, in the Chinese mind, to fall into this category. Beijing insists that the Patten formula contradicts prior Sino-British agreements. Mr Deng's Hong Kong fattor has meant that from the beginning of Sino-British negotiations over the Patten formula in April this year there has been little room for compromise or noeuvre. Britain's negotiators, in 17 rounds of talks, have often felt they were talking to a brick wall.

at possible compromise, but sugges-tions of flexibility have proved filusory. Officials have returned time and again to a re-statement of basic principles which derive from the views expressed by Mr Deng in his meeting with the then Mrs Thatcher.

Pointedly, Mr Deng's views on Hong Kong were published on the front pages of Chinese newspapers on September 24, the day after Beijing failed to win the nomination for the 2000 Olympics. This was seen as more than a coincidence and appeared to reflect Beijing's displea-

he had forcefully championed Syd-ney's bid. British officials in Beijing hope that in the Chinese way an "eleventh hour" compromise might be possible, but they also recognise that the signs are not auspicious. Chinese officials have for weeks been canvassing publicly the pros-pect of a breekdown of talks.

Mr Jiang Enzhu, a vice-foreign minister and China's chief negotiator, has said that there are two postalks by a feeling that it has not much to lose by refusing to budge: after all, Hong Kong will return to Beiling's control in three and a half years whatever Mr Patten's electoral

No Chinese official would presume to contradict (or seek to reinternet) Mr Deng's edict, Indeed, Premier Li Peng in his National Day speech on October 1, noted that the "recent publication of Comrade Deng Xiaoping's important talk on the Hong Kong problem has fully expressed

He also urged that the two sides Defiant China determined on a tame HK

hen, in April, Britain and China embarked on talks about Hong Kong's political development, their chance of reaching an agreement was never bright. But the depth of division is underlined by the fact that the only piece of common ground to emerge between the two after 160 hours of talks is lowering the colony's voting age to

18 from 21 years.

Although Mr Chris Patten. Hong Kong's governor, was quick yesterday to leave the door open to further talks, the reality facing his administra-tion and the British government is that China will never agree to increasing democratic participation in Hong Kong along Mr Patten's lines.

The immediate question for Mr Patten and his colleagues in the British government is

Britain still hopes for a negotiated deal, writes Simon Holberton

what to do next. The colony's Legislative Council (LegCo), Hong Kong's 60-strong law-making body, will expect to hear how Britain plans to proceed when the governor oddresses Legco on Thursday. The most likely outcome will be the splitting of Mr Patten's five proposals for democratic reform – first made a year ago

into two bills. The first - which may be presented to LegCo as early as December 8 - will encompass the so-called "simple" issues which Britain and China were unable to agree on at the weekend. These are: abolishing appointments to Hong Kong's district boards and municipal councils so that elections next year will be fully democratic; creating 20 single-member electorates for the LegCo elections in 1995; and lowering the vot-

The second bill will consist of the more contentious aspects of Mr Patten's plans. These are: broadening democratic participation in elections for 30 "functional" constituencies, which represent business and professional interests; and the constitution of an "elec-10 LegCo members in 1995. An important consideration

second bill should be Mr Patten's 1992 proposals unmodified, or the compromise offer the UK put to China during the summer. This decision has yet to be taken but, in the words of one of the governor's aides, "If a process of mutilation is to take place, better to start with a whole body rather than half."

The speed of presentation of the second bill will be determined by China's reaction to the tabling of the first. At the weekend Britain proposed an 18th round of talks to discuss the more difficult parts of Mr Patten's plans. If, in the face of LegCo debating the first bill, China takes up that offer then more time will be available for

The offer of more talks was reflected the UK's unchanged policy towards relations with China. The prize still to be fought for – which now appears to be beyond Britain's grasp - remains an agreement.

Since the negotiation of the Joint Declaration between 1982 and 1984 the cornerstone of British policy has been to agree "transitional" issues with the Chinese on the basis that what is agreed has a greater chance of survival after 1997 than what is not.

It is far from clear, however, if China really wants an agreement on the political transition of Hong Kong, or that Britain seeks. One thing which has emerged from the talks is that, in spite of the neutering of Mr Patten's proposals during the summer, China was still not

satisfied The inescapable conclusion to draw from this is that China desires a tame legislature in 1997, one which not only excludes so-called "subversive" democratic politicians, such as Mr Martin Lee, leader of the United Democrats, but which restricts participation in elec-

The equally unpalatable fact for Mr Patten and the British government is that when the governor's legislation gets to LegCo its members will probably ensure that most of China's wishes are observed. LegCo is unlikely to agree to broadening voter participation in the functional constituencies; it could opt for appointment, rather than election, to the electoral

The current balance of nower



Chris Patten at a St John Ambulance Brigade parade in Hong Kong yesterday. The governor must decide how best to

members are more likely to vote in the direction of Beijing than of London. There are about 23 members who will support Mr Patten's democratic alternative and an equal number who will do China's bidding. In the middle are 10 members - known as the "Breakfast Club" - most of whom when pushed will incline to Beijing on the big

Time has never been on Britain's side; less so now that Chinese resumption of sovereignty is just 31/4 years away. But that reality cuts both ways: China has a clearer idea of what is at stake for itself. Possibly for that reason Mr Guo Fengmin, a senior Chinese government official, said on Friday that if there were no agreement, "the sky will not fall down. We are confident that we, together with the Hong Kong people, can main-tain Hong Kong's stability and

in LegCo suggests that its Colony's companies still place faith in investment

Business takes the long view

in Hong Kong and Agencies

Hong Kong's business community last night shrugged off the apparant breakdown in Anglo-Chinese talks about the colony's political future. Governor Chris Patten has few allies among Hong Kong's Chinese and expatriate businesses. Many feel that he is attempting to do too much, too late in Britain's administration

of Hong Kong. Managers of some of the colony's largest companies said their view of Hong Kong as a place to invest would not be affected even if China stood by its threat to overturn the results of the colony's 1995 ereignty on July 1 1997.

According to one senior Brit-ish businessman: "It is not that there would be rioting and upheaval if they did that. Hong Kong people are quite prag-matic. There may be a lot of words and shouting but they know there's nothing to be gained. No one will come to rescue them from the Mother-

land [China]." However, not all business people think that the current Anglo-Chinese fight over Hong Kong is wasted. One leading Chinese businessman praised Mr Patten for bringing the issue of Hong Kong's political development in to the open. "It is better for Hong Kong if we get this settled once and for all now," he said. "It would be worse for us if this debate took

place after 1997.

Kong can maintain its independence will depend on how Hong Kong people act, not on what the British do," he said. Most businessmen believe that Hong Kong can have a good relationship with China only if it works with Beijing rather than confront it. However they are confident that China will not damage Hong Kong's economy in reprisal for what Mr Patten has done. Traders in Hong Kong's vola-tile stock market believe that the market has already substantially discounted failure in the talks and Mr Patten put-

ting his proposals to the colo-ny's legislature. The market will be focusing on what the Chinese govern-

find market reform is directly threatening their interests".

unpromising campaign oppor-tunity through a snowstorm

last Friday night to meet lead-

the republic of Komi, where Vorkuta is situated. He came

as a minister and as head of

the special commission on coal

an unwelcome responsibility

ers of the miners and he

Mr Gaidar flew to this

take unilateral action. Here the key will be the nature of threats, if any, Beiling makes about the economy.

The market is likely to suf-

fer increased selling pressure but I don't think investors will be too pessimistic at this stage," said Mr Simon Lam of Mansion House Securities. "Even if a first-stage agree-

ment cannot be reached it does not mean that there will be no talks in the future, so I don't think the market will correct very substantially," he said. Indeed analysts said a correction was long overdue after the strong gains of the past few

The Hang Seng index edged higher last week, gaining just 10.48 points over the week to

past. But his ending was upbeat - Vorkuta had a future,

the lesson was to remove the

hopeless pits and enterprises

and move to profitable produc-

After his meetings with the

miners on Saturday, Mr Gaidar

claimed that he had "reached

mutual understanding on

many points" - which seemed to be code for not reaching

understanding on others. Mr Oleg Soskovets, another first

deputy premier, told the Interfax agency at the weekend that Rbs7/bn had been found to pay

back wages - largely by squeezing back debts from the

On Saturday night, he flew

on to Kuzbass - the larger coal

basin in southern Siberia, in

which strike threats have also

been made and to which Vor-

kuta delegates have gone for

support. A strike threat from

last Wednesday still stands -

and talks between the national

miners' leaders and Mr Gaidar

resume in Moscow today.

steel plants.

tion. He got mild applause.

stands firm

By Dennis Engbarth in Taipel

Taiwan's ruling Nationalist Party falled to suffer an expected setback in local government elections at the weekend, although its share of the popular vote fell below 50 per cent for the first time.

The elections, which had

been seen as a key test of the party's strength following internal dissension and corrup-tion scandals, appeared to bolster the position of President Lee Teng-hui, who has led the island's democratic reforms.

The Kuomintang held on to 13 county and city mayoral posts - the same number as it had previously held. Candidates backed by the opposition Democratic Progressive party (DPP) won six posts, a net loss of one seat. The two others went respectively to a pro-DPP independent and a pro-KMT

independent.

Mr Hsu Hsin-liang, the DPP chairman, restgned to take responsibility for the setback and attributed the defeat to "unprecedented levels" of votebuying by KMT candidates, as well as to the impact made by President Lee, who as KMT chairman undertook an unprecedented personal cam-

paign swing across Taiwan.

However, the electorate gave
the KMT only 47 per cent of 7.6m votes cast, down from 54 per cent in similar mayoral elections in 1989. The DPP, which advocates formal independence for Talwan and social reform policies, gained 41 per cent, up from 38 per cent

in 1989. The Chinese New party, a breakaway from the KMT, received only 3 per cent. The rest went to independents. Mr Hsu Shul-teh, KMT sec-refary-general, said: "In an international environment in which many ruling parties are being turned out of office, we cannot say that to retain the same number of 13 mayoral

seets was a loss." Mr Hsu of the DPP said Mr Lee was now in a position to step up plans to push through a constitutional amendment for direct presidential elections and run for the post himself. But he said Mr Lee "had

expended much political capital" by exposing himself to criticism from the DPP in the campaign and would enjoy less political momentum going into a presidential race.

Industrial park for Bangalore

A Singapore-based consortium led by state-controlled enterprises is joining together with India's Tata group to develop a \$\$250m (£106.4m) industrial park in the southern Indian city of Bangalore, writes Kieran Cooke in Knala Lumpur.

The Singapore consortium. led by state-controlled Singapore Technologies Industrial Corporation and Technology Parks , will have a 40 per cent in the project.

Tata will have a 40 per cent stake while the Karnataka state government will have the

Ankara PM in reshuffle

Turkish Prime Minister Tansu Ciller yesterday reshuffled her cabinet, changing five minis-ters of her own True Path party, Reuter reports from

Mrs Ciller, who took office in June, made no changes among ministers of her coalition government's junior partner, the Social Democrat Populist party, the Anatolian news agency reported. All the True Path ministers

had resigned to give Mrs Ciller a free hand to reshape her cab-

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miners' leaders and Mr Gaidar resume in Moscow today.

A patched solution is the best bet. But the past, and present, nightmare of Vorkuta is not lightly exorcised. "In the

Past and present woes combine to test Gaidar

r Yegor Gaidar, fighting for the politics of reform against worsening polls for his Russia's Choice party, at the weekend met a Soviet nightmare - and one of his own. The first deputy premier, campaigning for national elec-

tions on December 12, arrived in the town of Vorkuta on Friwas mauled by industrialists struggling with his market reforms in the city of Uly-"At the beginning of the

week we met the problems of the future," said Mr Alexel Ulukayev, a Gaidar adviser.
"Now we meet the problems of the past."

It is a hideous past: the name Auschwitz. Created in the 1930s by the secret police, Vorkuta had two functions: to accommodate millions of political prisoners, and to mine in an area where few would voluntarily work. The Vorkuta-Pechora basin - rich in coal, oil, bauxite and precious metals was opened up by convicts or zeks, who built it in conditions which froze them alive when they dropped from exhaustion. Nikita Khrushchev's liberation of the zeks in the mid-

1950s meant the replacement of

coercion by attraction - the strike in 1989, [Soviet premier

Miners' wages are now between Rbs200,000 and Rbs700,000 a month, at the top of Russian state wages. The bargain has been that a worker prepared to stay through winters where the temperature falls to 50 degrees, would get But the bargain is coming

unstuck. Desperate for savings, the government has cut regional subsidies which maintained pensions and benefits at between one-third and one-half higher than in the rest of Russia. Mrs Marina Sokolova, a her pension from Rbs66,000 to Rbs44,000 a month. "I'm not of Vorkuta is a horror akin to used to living on that. We never had poor people here. but now we have. They stand in the doorways of shops, out of the cold, begging."

Since autumn, the government has also delayed paying the miners' wages - by up to three mouths. Vorkuta's 25,000 miners threatened to strike. The threat is taken seriously by the government - even though this is not the major coal-producing region of Russia and the miners are split. One pit has four competing unions. "When the unions went on



Yegor Gaidar: mauled by industrialists and now facing rumblings from miners -

Roman Siroziev, leader of the new independent union's strike committee. "When they went on strike in 1989, Gorbachev fell. Judge for yourself."

This is hyperbole, but with a basis in fact. The miners were promoted as the proletarian vanguard in Soviet times, and their defection from communism and support for Mr Boris Yeltsin was of huge importance for the latter's presidency. They have been kept sweet since 1991 by big rises attraction of high salaries. Nikolai] Ryzhkov fell," says Mr and by a freeze on pit closures nists or Zhirinovsky [neo-fas-

- meaning that oft subsidies now account for the largest single expenditure in the budget. Their opposition during an election would be a huge blow.

The Vorkuta men deny a political aim - in spite of gleeful headlines in the opposition press declaring that they had demanded Mr Yeltsin's resignation. "We have never said this," says Mr Murat Bugulov, a leader of the new independent union. We know the risk we run of helping the commucists coming to power. But the government must fulfil its

Vorkuta is among the most extreme examples of resistance to market economics. It produces for the state and is kept going by the state: any enterprise beyond a small trading company would flee from the huge extra costs of working in the Arctic. Mr Nikolai Pobov, a lawyer working for the miners' unions, says that "the miners helped create Yeltsin and sup-

of Vorkuta,

It was an uncomfortable event not in itself, for it was well staged and jolly, but for the echoes of the place's ghastly past which could not be suppressed. A singer from the border guards (a KGB division) gave a fine rendering of an awful song, "Vorkuta is Vorkuta", which contained such sentiments as "the frost is cold" and "our history is a

dumped on him by Mr Viktor Chernomyrdin, the prime minister - and not as a party leader. But in practice these roles are now inseparable. Late upon arrival, he was taken by bus to the biggest hall in town to take his seat as guest of honour at a gala show - in celebration of the first half century of the official existence

ported his reforms: now they believe in our future". It was it comes to."

best bet. But the past, and present, nightmare of Vorkuta is not lightly exorcised. "In the is cold" and "our history is a end," says Mr Bugulov, "they sad one" juxtaposed with "but have to decide: do they want our hearts are warm" and "we - us to exist or not. That's what

Saxony-Anhalt ministers resign after disclosure that they overpaid themselves

E German state government quits

By Judy Dempsey in Berlin

Mr Werner Münch, the prime minister of the eastern German state of Saxony-Anhalt, yesterday offered the resignation of his entire government follow-ing official disclosures that west German members of his cabinet had paid themselves

He said that ministers would remain in office as a caretaker administration until new elections can be held.

The resignation of the conservative-led Christian Democratic Union government, which is in coalition with the sents another blow to Chancel-lor Relmut Kohl, whose own federal government in Bonn comprises a similar coalition. Last week he was forced to accept the withdrawal of Mr Steffen Heitmann, the justice minister of Saxony, as candidate for the presidency. He had been Mr Kohl's chosen candidate for the post.

It is also a setback for the other established political parties. All of their ratings among east Germans have plummeted following a series of corruption scandals in western Germany, as well as disenchantment

with the status quo because of high unemployment in the five eastern states.

Mr Münch, a former member of the European Parliament and university lecturer, told a news conference in Magde-burg, the state's capital, that neither he nor other ministers had received "at any time illegal payments... This resigna-tion can only be explained as a step to prevent further damage to our families, our state and our governing bodies."

The state audit office in Saxony-Anhalt reported at the weekend that the west German politicians who had moved to

first round of local elections last Sunday,

he is now trying to convince Italians, and the international community at large, that

the PDS is no longer a prisoner of its communist past and that it could form the

The lira lost ground early last week

because speculators reacted with alarm to

the prospect that former communists might dominate Italy's next government. Thus, the first stage of Mr Occhetto's offensive was his call early in the week to

This he followed by indicating his will-

ingness to help the government of Prime Minister Carlo Azeglio Ciampi to ensure the passage of the 1994 budget legislation

vital for Italy's international credibility.

He also submitted himself to a critical

grilling from European Union ambassa-dors on his party's economic policy. As he talks about PDS strategy, in the

same imposing offices that once housed the defunct Italian Communist party (PCI),

Mr Occhetto seems to have dropped his often criticised ambiguity. He has sensed the whiff of power, and he is obliged to

The budget will be a key test: the

Ciampi government will resign if the legis-

lation fails to pass. Mr Occhetto wants to

avoid this at all costs. He would prefer the

PDS to abstain and avoid associating with

a discredited Christian Democrat-led

majority. "But", he says, "if the old can-

trist majority disappears in parliament, we

are prepared to assume our responsibility

[and vote] to approve the budget on condi-tion that parliament is dissolved immedi-

define what the PDS stands for.

the financial markets for calm.

credible core of a future government.

the state as ministers after unification had together overpaid themselves by as much as DM900,000 (£357,000) since they took up their posts in mid-1991. It added that the ministers,

including Mr Münch, had inflated their salaries with excessive entertainment allowances, which had swelled their income by DM200,000 in the past two years. Officials in Saxony-Anhalt

said last night that, by offering the resignations now, the CDU and the FDP might be trying to limit the damage in time for federal and state elections

Next Sunday's local government elections in the eastern state of Brandenburg, headed by the Social Democrats, are likely to provide reliable indications about the mood among east Germans.

The west German cabinet ministers named for excessive payments also include Mr Horst Rebburger, the Free Democrat economics minister, regarded as responsible for attracting private investment into the region; Mr Hartmut Perschau, interior minister; and Mr Werner Schreiber, social affairs minister. Press review. Page 4

Geneva talks on Bosnia

In a last-ditch attempt to revive talks on Bosnia's partition, leaders of the republic's warring parties today meet European Union foreign ministers in Geneva.

The meeting aims to establish a platform for fresh talks, centring on a phase-out of sanctions on Serbia and Montenegro in exchange for territo-rial concessions by Bosnian Serbs to the Moslems.

Pive people were killed and five wounded in Sarajevo yesterday when a shell exploded in a city street, showing there was no sign that the violence might end or that Serb, Croat and Moslem leaders would succeed in reaching a political settlement for the republic's divi-

Before leaving for Geneva, Mr Alija Izethegovic, the presi-dent of Bosnia, urged tighter United Nations sanctions on Serbia if the Bosnian Serbs refuse to hand over land.

"If the Serb side does not return territories, sanctions should be tightened and not lifted," he told a news conference in Sarajevo, which is

besieged by Serb forces. The EU initiative is a revitalised version of a deal, mediated by envoys Lord Owen and Thorvald Stoltenberg, which collapsed in September when Bosnian Serbs refused to meet Moslem demands for 3-4 per cent more territory in order to

create a viable state. In an ominous signal for the Geneva talks, Mr Radovan

Karadzic, Bosnian Serb leader said at the weekend his forces, which control 70 per cent of Bosnia, would insist on the lifting of sanctions on Belgrade before conceding any land.

Serb leaders who previously endorsed the Geneva plan to hand over 20 per cent of their land show no trace of intend-ing to fulfil their pledge. In fact, their troops are seizing more Moslem-held land in northeast Bosnia.

They are apparently confident sanctions will be lifted anyway. However, Serbian esident Slobodan Milosevic is likely to press his Bosnian proxy, Mr Karadzic, to hand over land in an attempt to get the sanctions eased before elections on December 19. Press review, Page 4

Berlusconi's broadcasts raise worries

By Haig Simonian in Milan

Prominent Italian left-wing and centrist politicians yesterday warned against the misuse of media power after Saturday's decision by Mr Silvio Berlusconi to use his private television channels to broadcast a 90-minute press conference outlin-ing his political ambitions.

Prime-time viewers of Canale 5, the most popular of the three channels owned by Mr Berlusconi's Fininvest group, were dumbfounded to find an advertised feature film replaced by an unedited broadcast of Mr Berlusconi's political debut before the foreign press association in

Rome the previous day. Earlier on Saturday, the schedule on Rete 4, another Fininvest channel, was changed to make way for the same event. Together, the three Fininyest channels regularly account for the lion's share of

Italian viewing figures. The summary use of the two channels confirmed fears among Mr Beriusconi's critics, who last week warned of possible abuse of his media interests. Yesterday, Mr Vincenzo Vita, of the left-wing Democratic Party of the Left, said it highlighted the "risks connected to Berlus-

coni's presence in broadcasting".

Mr Giorgio Napolitano, president of the lower house of parliament and a senior member of the left-wing Democratic Party of the Left, pointed to the risks inherent in any leading businessmen getting into politics. In such circumstances, "the institutions (of the state) must take responsi-bility to guarantee the maximum balance in use of the media" he said.

Occhetto tries to break free from communist past The leader of Italy's PDS must convince the world his party

r Achille Occhetto, the 57-year-old leader of Italy's Party of the Democratic Left (PDS), has could form a credible government, writes Robert Graham muched a charm offensive. Fresh from his party's success in the



Occhetto: closer to the Clampi government than is often recognised retain parliamentary immunity privileges

Although 2500 amendments have been tabled in parliament, he believes the budget will pass in time, before the end of December. He argues for early dissolution, saying, "This parliament has reached the limits of its credibility. There are too many people there who no longer repre-sent the electorate to whom they are responsible."

However, Mr Occhetto has been closer to the Ciampi government than is often recognised. Three PDS ministers were chosen by the prime minister, but withdrawn by Mr Occhetto because the four-party coalition backing the government voted to

to avoid corruption enquiries. Mr Occhetto describes this vote as "morally unacceptable". However, the withdrawal of the ministers, only 10 hours after being sworn in, enabled him to head off a potential storm.

He clearly feels better equipped to oppose internal criticism and is open in the way he "appreciates" the present government's efforts to reduce Italy's huge public sector deficit.

A PDS-based government, he says, would "continue the restructuring of public finances and the reorganisation of the

civil service". The idea of a "spendthrift" left, feeding a large public sector, was over. Funds needed to relaunch the economy would have to be found without increasing debt levels. He says much can be done by selling off the state's huge stock of property, worth L30,000bn (£12bn). A late convert to privatisation, Mr Occhetto says he will not oppose the plans already under way. However, the PDS would seek to give more direction to industrial policy and encourage more research. His main concern is job creation, and this is where a progressive government would place more emphasis. He endorses the idea of "solidarity contracts" - in the form of job-sharing or a reduced wo.king week - to get round the reces-

This is a long way from the prevailing party ideology in 1988, when he was first elected head of the Communist party. It is also a remarkable evolution from the founding days of the PDS in February 1991, But he is not surprised: "There had long been a social democrat strain in the PCL.. that had similarities with Germany's SPD."

he party proudly wears its label of the Left and has been admitted to the Socialist International, Yet, when pressed to define the nature of the modern Italian left, Mr Occhetto is without a quick slogan; nor does he refer to the welfare state. Endorsement of the proposed 1994 budget would mean rolling back welfare benefits and pension privileges. A sore point, too, is the unresolved rivalry with former fellow members of the

hardline Reconstructed Communism with

nearly 10 per cent of the old membership.

He is selling himself as the leader of the first party to break with the past. He insists that the party has not been involved in systematic corruption and blames the Christian Democrats and Socialists as the worst offenders. But he is cynical about the real culprits being punished. "In this country you catch the rob-bers, not the assassins," he observes with

wry humour. Although some 112 PDS affiliates have fallen foul of corruption investigations, this has yet to affect voter support. The PDS is attracting some 16 per cent of the vote nationwide.

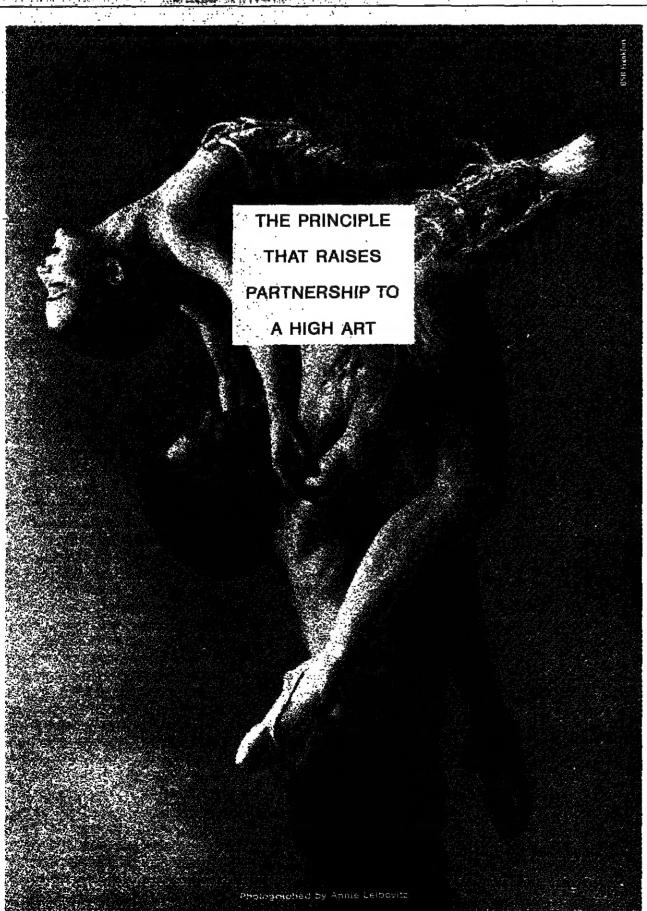
To obtain power, Mr Occhetto was astute enough to realise early the need for alliances: "It has required great patience to get this idea across. We are a moderate force, the only one capable of drawing the

disparate forces on the left together."

The PDS is the sole party with a national organisation, inherited from the Communist party. Through this, the PDS has established a series of local alliances with the Greens, Radicals, left-wing Catholics, former Socialists, even some Communists, and some dissident Christian Demo-

"The country is not yet ready for an Anglo-Saxon division into two parties," he says. "The next elections will be fought between two big coalitions on the left and the right; the moderates in the centre [essentially the ruling four-party coalition] will divide between those ready to govern with the left and those ready to govern with the right."

He has got a head start by laying the ground for such a coalition on the left in local elections. He now has to mould this at the national level.



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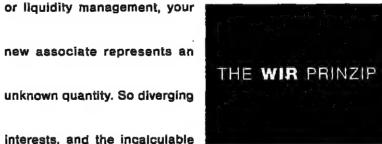
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Israel hopeful

Israeli ministers yesterday played down talk of a crisis in the autonomy negotiations with the Palestine Liberation Organisation, writes David Horovitz in Jerusalem. PLO Chairman Yassir

Arafat, who spoke on Saturday of an "impasse", said he was ready to sand delegates back to the negotiating table tomorrow. Israeli ministers conceded that, less than three weeks before the Israeli army is due to withdraw from the Geza Strip and the Yorkho mass of the West Bank three mass of the West Bank thre

Jericho area of the West Benk, there were still deep differences with the PLO over several substantive issues. The most crucial concerns the planned army redeployment in Gaza. The PLO wants all troops withdrawn; Israel insists on maintaining a pres-

Nevertheless, Israel's environment minister, Mr Yossi Sarid,

declared confidently: There are difficulties, but they are not

ence to ensure the security of 5,000 Jewish settlers in the Strip.

Air France losses grow

of PLO deal

Mahathir row with Keating intensifies

By Kleran Cooke in Kuala Lumour

Blunt-talking Australian politicians have often ruffled the sensitivities of neighbouring governments in southeast Asia. But, now, just as Australia is making a big push to become more interlinked with the dynamic economies of the region, the country's straighttalking prime minister, Mr Paul Keating, has provoked a row with Malaysia.

Mr Keating has been critical of Malaysian Prime Minister Mahathir Mohamad's nonappearance at the recent Apec nmit, and Malaysia struck back at the weekend.

Dr Mahathir had said that he did not attend the summit because certain countries, mainly the US and Australia. were trying to railroad Apec structured along the lines of the European Union.

Please don't ask me any more questions about Dr Mahathir," Mr Keating said to the Australian press corps. "I couldn't care less, frankly,

Mahathir... Apec is bigger than all of us... Australia, the US, Malaysia, Dr Mahathir and any other recalcitrants."

At the weekend, Mr
Mohamad Rachmat, Malaysia's

information minister, announced that Malaysia would be banning Australianmade TV programmes and advertising material and that Malaysia's state-controlled broadcasting service would be reporting only negative news about Australia

"This," he said, "is to tell the Australian government and media that what was said by Keating was not only an insult to our prime minister but also to the Malaysian people and to the country." He insisted that Mr Keating publicly apologise. Dr Mahathir, himself not averse to the occasional undiplomatic verbal thrust, said that

he was disappointed with Mr Keating but chose to lay most of the blame on the Australian media: "Some newspapers made me out to be a difficult person and very unpopular and

that Malaysia was about to burst into racial violence." of Asia was meaningless.



Keating: Tam sick of questions about Dr Mahathir'

"How", he asked, "can Austra-lia claim to be part of Asia lack manners? It is difficult for us to love Australia."

While the Malaysian media and political opposition also joined in the war of words, the row will probably be resolved

Mr Keating, due for an offi-

southeast Asia the central point of his government's eco-nomic and foreign policy. "For the first time," says Australian Foreign Minister Gareth Evans, "Australia is paying more attention to its geography than its history."

Australian exports to the gion have been growing rapidly. Two-way trade with Malaysia rose more than 30 per cent in 1992-93 to A\$2.3bn



Mahathir: 'It is difficult for us to love Australia'

(\$1.6bn), with Australia showing a healthy surplus. Australian investors are involved in several big projects in Malaysia, particularly in the mining and petrochemical sectors. But Australia's relations

with its Asian neighbours are never easy. Relations with Indonesia have only recently improved. A few years Malay-

depicted life in an Australian embassy. Kuala Lumpur said the series was modelled on Malaysia and was very insult-ing. "It's a clash of styles" says a Malaysian academic who studied in Australia. "Austraha's politicians and its press can say anything they want. We have to be a lot more care ful about what we talk about

Air France, the state-owned aritine, will this year lose FFr7.5bn (\$1.26bn) and see a further decline in its world market share, Mr Bernard Bosson, the transport minister, said at the weekend, vrites David Buchan in Paris. With estimates of its 1993 losses steadily worsening from the

FFr3.5bn deficit forecast in April, Mr Bosson told the Senste "this shows how quickly the company has been sinking". He also said it had been Prime Minister Edouard Balladur's personal decision to reject the "800 straight redundancies" contained in the austerity plan of Mr Bernard Attali, the former Air France president, who resigned after the government gave in to striking airline staff. The prime minister would countenance only "a few dozen" layoffs. Mr. Bosson said. Mr. Christian Blanc, Air France's new president, is re-negotiating the Attali plan with the unions.

Brazil near debt accord

A large majority of Brazil's foreign bank creditors support the \$52bn debt agreement due to be signed in Toronto today, writes Richard Waters in New York.

By the end of last week, creditors accounting for 86 per cent of the debt had backed the deal, said Mr Bill Rhodes, vice-chairman of Citibank. With more European and Japanese banks expected to communicate agreement by this morning, the proportion should reach 90 per cent, he said. The deal needs 85 per cent support to be triggered but banks supporting the deal are confident it will go through. Brazil has yet to reach an agreement with the IMF, on which the bank deal depends. Economic reforms outlined last week are intended to form the basis for such an agreement.

'Roll up sleeves' - Kohl

Chancellor Helmut Kohl yesterday called for "unconventional solutions" and new labour practices to pull Germany out of its worst post-war recession, Reuter reports.

Harking back to Bom's "economic miracle" of the post-war years, he told a business conference that Germans should "roll up our sleeves in the current recession and structural crisis, just as we did with great success in the 1950s".

"We need a healthy aconomy [with] secure and competitive jobs," he told the conference organised by the German Chamber of Handicrafts in Kartsruhe.

Shipowners in dispute

European shipowners vesterday sought to take the heat out of a dispute-with their customers over freight rates across the North Atlantic, writes Charles Batchelor in London.

European Union ministers will later today review a special examption granted to shipowners which allows them to group together in "cunferences" to agree prices on certain routes. Belgium, as president of the European Union, is to file a motion confirming the examption for conferences. Shippers have protested that the pact between large shipowners

uch as P&O, Nedlloyd and Hapeg Lloyd has been used to push

The shipowners counter that before the agreement was reached freight rates for a standard container had fallen from \$1,600 to

Border deaths probed

The Venezuelan government is investigating reports reaching Caracas at the weekend that 19 members of the Yanomumi tribe died and many became seriously ill from mercury poisoning. writes Joseph Mann in Caracas.

Pakistan refuses to stop nuclear programme

By Farhan Bokhari in Islamabad

Pakistan said yesterday it would never give up its controversial nuclear programme until there was an agreement to make the entire region a nuclear weapons-free zone. Mr Sardar Assel Ahmed Ali, the country's foreign minister, made the statement during an abortive debate in parliament which ended in disar-

ray when opposition MPs led by former Prime Minister Nawaz Sharif. stormed out of parliament in protest at a government attempt to obstruct open discussion on the nuclear issue. The government cited security rea-

Pakistan has admitted its ability to build a bomb, but claims its programme is strictly peaceful.

The present peaceful programme will an almost empty house after the oppo-sition had left. The government of Prime Minister nazir Bhutto has come under fierce

attack from opposition critics in the PML (Pakistan Muslim League) who are demanding a full explanation of the country's nuclear policy. Their demands have gathered pace since last week's reports that the Clin-

continue," the foreign minister said to ton administration wants to introduce nationalists, who fear that the new legislation which would end the military and economic aid cut-off against Pakistan.

years ago following allegations that Islamabad had acquired the capability to produce nuclear weapons. Pakistan denies the charge. But last week's fresh concerns among Pakistani

nuclear programme which has already been "capped" or put at a standstill may be "rolled back" or cut That cut-off was introduced three down in size, as part of a deal. Last week's move in Washington is the most significant step to resolve the dispute since the aid cut-off. How-

ever, it is not clear if a bill to lift the embargo against Pakistan would be passed in the US congress.

Army purge strengthens | Medellín drug chief may Nigeria's military ruler

General Sani Abacha strengthened his position as Nigeria's new head of state at the weekend by purging army officers loyal to the former military ruler, Gen Ibrahim Babangida. He also formed a civiltribal lovalties and includes some respected ministers. The moves show Nigeria's

military ruler, who seized power on November 17. com-

bines ruthlessness and persuasion in dealing with opponents. following last week's forced retirement of Lt Gen Aliyu Mohammed as head of the army, the removal of 17 offi-

cers including nine brigadiers is seen as a decisive blow to Gen Babangida's remaining support in the armed forces. A reshuffle in September under the interim government had failed to curb pro-Babangida factions at the senior level or

known as the executive council includes several supporters of Mr Moshood Abiola, who emerged the unofficial winner of the annuiled presidential election in June. The cabinet is headed by Gen Abacha and the chief of general staff, Lt Cen Oladipo Diya, who comes from the pro-Abiola south-west, and includes as foreign minister Mr Babagana Kingibe, interior minister Mr Akex Ibru and education minister Dr Lyorchia

The finance minister, Mr K I Kalu, served in the same post in the mid-1980s, earning respect as an advocate of market reforms. Together with Mr appointment as central bank governor, Mr Don Etiebet, who is retained from the interim government as oil minister, and Mr Adamu Ciroma, another former finance minister, Gen Abacha has an economic team which, if allowed free rein, could achieve reforms that western creditors

surrender to authorities

The flight of Pablo Escobar's family from Colombia has fuelled speculation that the Medellin drug chief is about to surrender again to the authori-

Escobar has been on the run months ago.

Last week the prosecutor

general said official protection for Escobar's wife and children would be withdrawn. Recently an anti-tank rocket was fired at the family flat and there have been numerous attacks on Escobar's property and **Family**

members were

allowed to fly to Germany yes-terday, but it appeared they would be sent back to Colombia if no other country offered A recent attempt by other

relations to find asylum in The German Interior Miniswho were questioned by police

for four hours, were not welcome and would not be allowed to enter Germany. Local television and radio in Bogotá had said the family's departure to a refuge abroad was part of an arrangement with the government that included the surrender of Esco-

of his hideouts and the loss of so many of his henchmen following an extensive police hunt, it has become difficult for Escobar to stay ahead of the authorities. Most of those who escaped

With the discovery of dozeni

from jail with him have either Escobar clearly has enough supporters to shelter him. Although the Medellin cartel

no longer has the structure to deal and transport huge volumes of cocaine, Pablo Escobar is still a powerful figure whose recapture, surrender or death would haved enormous symbolic importance for the government.

INTERNATIONAL PRESS REVIEW

Japan

Capital punishment made a rare appearance in the Japane highlighting the new fashion for public debate of sensitive matters symbolised by the open style of the Hosokawa government,

and other human rights groups in the Daily Yomiuri and Japan Times may that up to four convicted the first executions under the new government. The most recent executions were in March, when three were hanged.

Curiously, as the Japan Times points out, Japanese law only allows the death penalty if it is not "cruel", an ambiguity which gives human rights groups a field day. Just as oddly, the Justice Ministry never announces executions, beyond telephoning families a day later, in of the press. Neither do the authorities inform those on derow, so they live every day thinking

On this, the government is a secretive as ever, despite the Hosokawa effect. The information only comes out thanks to Amnesty's diffigence in keeping in touch with families of those under penalty of death, of which 55 remain

Amnesty admits in the Yomkuri that it still had difficulty over the weekend in persuading people to sign petitions against capital punishment, Still, the coverage accorded to the executions by the normally compliant Japanese press, could indicate emergence of public opinion on the subject.

Serbia

If Vecernje Novosti, the Belgrade daily in the grip of Serbian President Stohodan Milosevic, is to be betweed. UN sanctions on Serb-led Yugoslavia will be lifted any day

Headlines promise Serbs a swift improvement of the gran economic



Sorba or weekly Vreme more

ganctions". The United Nations 18 months ago slapped sanctions, including an oil embargo, on Belgrade for supporting the violent partition of Bosnia.

But Novosti, the biggest inculation newspaper, box Serbia has been vindicated, with the west finally coming round to the Serbian side. There is no mention that sanctions will be lifted only if Bosnian Serbs hand over land to their Mostern foes.

The alleged promise to allow the delivery of heating oil and petrol to Serbia coincides with parliamentary elections due to be held on December 19.

realistically inform Serbian readers on the current chances for a peace settlement and lifting of sanctions, few people can afford to buy them Recent surveys indicated only 5

per cent of the population buy

newspapers; most people rely on

the seemingly omnipotent Television

Serbia for Information. Pro-Milosevic

papers are heavily subsidised by the cash-strapped governm Loath to miss an opportunity to demonise their independent competition, Belgrade press under Mr Milosevic dismissed their rivels as "trattors to Serbia" when Borba and Vireme recently received a badly-needed delivery of newsprin and other succises from the

European Community Humanitarian Organisation (Echo).

Germany Mr Steffen Heitmann, Chancellor

Helmut Kohl's chosen candidate for the presidency, might finally believe the code are on his side. He and his aldes were dreading the days after his decision to pull out of the race for the country's highest office. But the media has been distracted by scandal in the state government of Saxony-Anhali

eastern Germany. Finding a consensus candidate resignation of Mr Heitmann, an east German, ran a close second in yesterday's papers - mon.
Sontag to Berlin's Tagesspiegel terday's papers - from Welt am - to the story about the resignation of the Sexony-Anhalt cabinet.

But the press has made clear it is not getting at the east Germans: in fact, it is the Wessis, the west ans, who come in for stick, since the key positions in exony-Anheit's government are held by west Germans. This seems to rule out the conspiracy theory, held by many in the east German press, that all Ossis are seen by heir western counterparts as

The fact that any notion of a media conspiracy against Ossis might be misplaced can be of little comfort to Mr Heltmann. It has been clear in the press in the past three weeks that the governing Christian Democratic Union, which endorsed him as its presidential candidate. was getting cold feet. The conservative Frankfurter Aligemeine Zeitung has been

incompetent and inarticulate.

cheering for Mr Roman Herzog, president of the constitutional court. Not just because he is more careful and articulate than Mr Heitmann; but because the CDU's rank and file were fed up with the way Mr Kohl and Mr Peter Hintze, general secretary of the CDU, had foisted the Saxon upon the party without any discussion. By early last week, publications ranging from the weekly Stern magazine and the Eberal daily Stiddeutsche Zeitung to the elt-wing Frankfurter Rund were all in agreement that it was time for Mr Heitmann to go, The east German press has expressed anger about the way Mr

leitmann was folsted upon them too, and the way the campaign discredited the presidency, in a sober leader, the Dresden-based ische Zaitung said it was time to repair the damage. This would probably mean Mr Kohl forceing his chance to have an Ossi and a subservient one at that. it wrote: "Ostkandkiste Ade" easterner candidate, Adieul

United States

The ground of American culture shifted last week as America's most powerful theatre critic wrote his last eview. Mr Frank Rich, who for 13 ears has been the New York Times' citief theetre critic, will leave that position on Wednesday to become columnist for the Times. an appointment which is among the highest honours for a Times staffer. Mr Rich, who is 44, will write a twice-weekly column on American

society and culture. . Mr Rich has been replaced as chief theatre critic by Mr David Richards, 53, who has served as the Times' Sunday theatre critic since 1990, after nine years as theatre critic of the Washington

The position of Times chief theatre critic is traditionally a powerful one which, under Mr Rich's tenure, has taken on new heights of influence. Though his name has been largely revited among theatre folk, he earned the respect of his collead in the press; local and national coverage of his move has been surprisingly decorous. .

Press and theatre community alike are adopting a wait-and-see attitude towards Mr Richards, whose graceful writing is widely admired.

Contributors: William Dawkins in Tolon, Laura Silber in Beloirade. Judy Dempsey in Berlin, and Karer Fricker in New York



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McGuinness talks of weekly exchange Ministers fear tension could be heightened

ublin and unionists knew of IRA contact

The furore over the British government's admission of secret contacts with Sinn Féin, the political wing of the Irish Republican Army, was tempered by the disclosure yesterday that the Irish government, the Ulster Unionist Party (UUP) and the Democratic Unionist Party (DUP), knew meetings were taking place.
The first contact between UK offi-

cials and Sinn Fein, which is seeking a united Ireland and the withdrawal of British troops from Ulster, took place in September 1990 at the request of the British government, according to the republican party.

Mr Martin McGuinness, the Sinn-Féin chief of staff, told BBC Televi-sion yesterday that this meeting led "fairly intense contact between the British government representatives

IRA history

again the following year in

formal talks between a govern-

ment and republicans came in

June 1972 when Lord White-

law, as Secretary of State for

Northern Ireland, held abor-

tive talks on a ceasefire with

During 1974 and 1975, under

the then Labour government;

senior officials regularly met

Sinn Féin leaders at Laneside.

a large government-owned

Informal and formal meet-

ings alike have generally

caused unesse in Ireland. Mr Garret FitzGerald said in his

memoirs: "The contacts that

had taken place had had the

effect merely of prolonging violence by deluding the IRA

into believing that a British

government would eventually negotiate a settlement."

house to the east of Belfast.

republican leaders.

year in intensive contacts".

He said "face-to-face" dialogue was halted in July this year at the time of the House of Commons vote on the Maastricht treaty – inferring such links might have compromised the UUP's crucial support for the government over closer European ties.

Mr McGuinness said that since the

vote contact has continued since "on a weekly basis and sometimes on a Mr Ken Maginnis, the deputy leader of the UUP said yesterday: "It is my understanding that for some time the IRA has been talking about a cease-

fire and has spelt out its price for He said that the UUP knew these contacts had been taking place since last March, and that through "on-go-ing liaison" with the government "by

It was then that Mr James Molvneaux, the UUP leader, "made his

feelings known to the prime minis-ter", he said, and contact with Mr McGuinness was broken, before the Maastricht vote in July.

Mr Maginnis said the UUP's posi-

tion since then, has been to offer a seat at the negotiating table to Sinn Féin in return for a verifiable cessation of violence. "We didn't stick our necks out without knowing what we are dealing with," he said. The Rev Willie McCrea MP, of the Democratic Unionist Party said yes-terday that the DUP has had "documentary evidence" of the British gov-

ernment-IRA contacts for the past

four weeks. Sources, meanwhile, within Sinn

public two weeks ago, because of leaks by unionist politicians and to repudiate a statement by Mr John Major that it "would turn his stomach" to talk to the IRA.

The Irish government was yester-day playing down its own knowledge of the contacts. A government spokesman said only "It is up to the parties concerned to commen

However, Mr Albert Reynolds, the Irish prime minister, hinted in the Irish parliament (Dail) earlier this month that his government had been having its own contacts with Sinn

This was later confirmed by Mr Brian Lenihan, chairman of the Irish parliament's foreign affairs committee. A week ago he was quoted in a Dublin weekly newspaper saying that

with Sinn Fein "through intermedi aries" and had been aware for some time of similar contacts by the British

government. "Contact has been going on for months... The contact is not immediate but the government is aware that contacts are made. Messages are received and are passed on. If we are to acheive peace, these contacts are

necessary," he said.

Mr Lenihan, who is a senior figure in the ruling Fianna Fail party said: "We must realise the importance of contact between the two governments on the one hand and paramilitaries on getting them to embrace the demo

the other. This does not put obstacles in the way of the constitutional par-ties. In fact, the two efforts compicment each other...History is a record of coming to terms with terrorists and

the summit.
The two leaders will seek to

reassure the unionists with a

communique restating Dub-

lin's willingness to drop its

constitutional claim to North-

ern Ireland and to accept the

protestant majority's veto over

changes in the status of the

Mr Reynolds wants to com-

plement that with a statement

designed to reinforce the pres-

sure on Sinn Féin to come in

from the terrorist cold - a

"framework for peace" which

would recognise the aspira-

tions of the nationalist commu-

nity while offering guarantees

hard if not impossible now to

maintain contact with Sinn

Féin. The need to reassure Mr

Molyneaux will make still

harder the compromises essen-

But Mr Major will find it

to the unionist.

Tory MPs over the scale of forthcoming defence cuts. It represents also the start of summit, still pencilled in for a new waye of new asset sales Friday of this week. Mr Reynplanned by government olds was not told of the British departments to square the cirgovernment's contacts with cle of the sharpest squeeze for a decade on public spending the IRA but does not want the with commitments to preserve issue to sour the atmosphere at

Britain in brief

MoD plans

offset cuts

house sale to

Britain's Ministry of Defence

(MoD) has drawn up plans to seil off almost 70,000 houses

occupied by armed forces per-

sonnel to offset the deep cuts

imposed by the Treasury in the £23bn defence budget.

The scheme, due to be

announced as part of Tues-

day's Budget, is expected to

raise about £500m in the

financial year beginning in April 1995. It is seen by minis-

ters as a crucial element in

attempts to fight off a threat-ened rebellion by backbench

Controversy over Levitt case

crucial budgets.

The Serious Fraud Office knew Mr Roger Levitt would not go to jail when it accepted the offer of a guilty plea by the disgraced financial services salesman in return for all other charges against him being dropped.

The SFO said on Friday that Mr Levitt's sentence of 180 hours of community service was a matter for the judge alone. Mr Levitt pleaded guilty to deceiving Fimbra, the insur-ance industry regulator, over the collapse of the Levitt Group with debts of £34m. Fraudulent trading carries a maximum seven-year jail term.

Sharp warning

A sharp warning that Britain's opposition Labour party risks relapsing into the complacency which has lost it the last today by the Fabian Society.
Ms Glenys Thornton, acting general secretary of the centrist Labour pressure group, says in a society pamphlet published today that the party's unwillingness to confront change threatens to paralyse attempts to create a strategy

appropriate to the 1990s rather

than the 1960s or 1970s. In a thinly-veiled criticism of Mr John Smith's leadership. Mrs Thornton says Labour needed to build a political strategy which harn traditional collective instincts to the cause of modernisation.

Job fears ease slightly

Fears among British workers that they might lose their jobs over the next 12 months fell slightly in November according to the latest MORI/IRS survey for the Financial Times.

Fear of redundancy and unemployment had risen sharply in the previous month to 53 per cent of those in full-time or part-time work. However, this month the figure feli-back to 47 per cent. Anxiety about prospects is most common among women part-time workers and the young.

Bank launches credit card

MBNA, the US bank which recently set up its UK headquarters in Chester, has launched a credit card undercutting most of its rivals by at least four percentage points.

It is offering an introductory annualised percentage rate rate of just 13.9 per cent APR to those transferring the balance from their existing card to its UK Scenic series Visa cards. The rate is fixed until July 31 1994.

Last Durham pit to close

Miners at Wearmouth, the last pit in the Durham coalfield, voted yesterday to accept closure of their colliery, where British Coal halted production on Wednesday.

The closure, on December 10. will bring to an end deep mining in an area of north east England where coal has been dug for almost two thousand

Féin said Mr Gerry Adams, the party Major embarks on damage limitation

littered with failed talks Mr John Major's administration has been severely embarrassed by the The history of the IRA's revelations of its contacts with campaign is littered with Sinn Fein, the political wing of the paramilitary group held abandoned initiatives between serving politicians and repub-lican leaders, writes Richard responsible for much of the

carnage over the last 25 years. Donkin. Although there is nothing Discussions since the early new about contacts between 1970s have been veiled in British governments and representatives of Sinn Fein, the dissecrecy because of the sensitivity of the Unionists and succlosure of the latest links has fuelled criticism of Mr Major's cessive Irish governments. Lord Wilson, when leader of handling of policy in Northern the Labour opposition met IRA leaders in Dublin in 1971 and

The prime minister and his government faced a barrage of criticism at the weekend after England. But the most direct. months of painstaking efforts to nurture a climate of reassurance to allow the resumption of talks on a political settle-

ment in the province.

Opposition leaders joined hard-line Ulster unionists in accusing Mr. Major and Sir Patrick Mayhew, the Northern Ireland Secretary, of lies at worst and skilful duplicity at

Mr Ian Paisley's Democratic Unionist Party appeared confiammunition to blow up efforts by London and Dublin to agree a constitutional framework for Uister which would marginalise the terrorists. But Mr Kevin McNamara, the opposition Labour party's spokesman on Northern Ireland, suggested there was no a serious quesThe Sinn Féin 'talks' have given ammunition to the government's critics, writes Philip Stephens

tionmark over Sir Patrick's

integrity. British ministers acknowledged the disclosure of the talks - just a week after the damaging leak in Dublin of the irish government's draft pro-posals for a political settlement would poison further the atmosphere of distrust which permeates Northern Ireland

Downing Street insisted that no direct lies had been told. Mr Major's constant disavowal of negotiations or talks with Sinn Féin was technically accurate. Replies through intermediaries were not quite the same thing. That, in the famous words of a former cabinet secretary, is

what is known as being economical with the truth. But Mr Major hopes the publication later today of all the documents which passed between his government and Sinn Fein will begin to repair

the damage. Significantly, the message from Downing Street was that he had fully approved the contacts and would stand firmly The prime minister would

also press ahead with efforts to

end the violence and to put in place a durable political settle-

Officials said the documents would show that the government had been as constant in its approach in private as in public. It had offered a place at the negotiating table to Sinn Fein, but only after a permanent end of to violence.

Government officials were unapologetic about the contacts - Mr Major's view was that the government not possibly ignore the possibility that the IRA was serious about an That possibility was taken

seriously by British intelli-gence and by the Irish govern-ment and Mr John Hume, the leader of Ulster's mainly Catholic and nationalist SDLP. As one British official said recently most of the terrorist organisations which plagued the West since the 1970s - from

had given up. Even Libya appeared reluctant now to sponsor terrorists. So "We have to allow for the possibility that the IRA has had enough

the Red Brigades to the PLO -

Sir Patrick hopes that the mainstream Ulster Unionists led by Mr James Molyneaux will accept the contacts did not amount to anything approach-

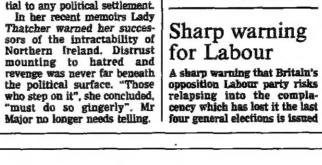
ing a conspiracy to undercut the government's constitutional guarantee on the future

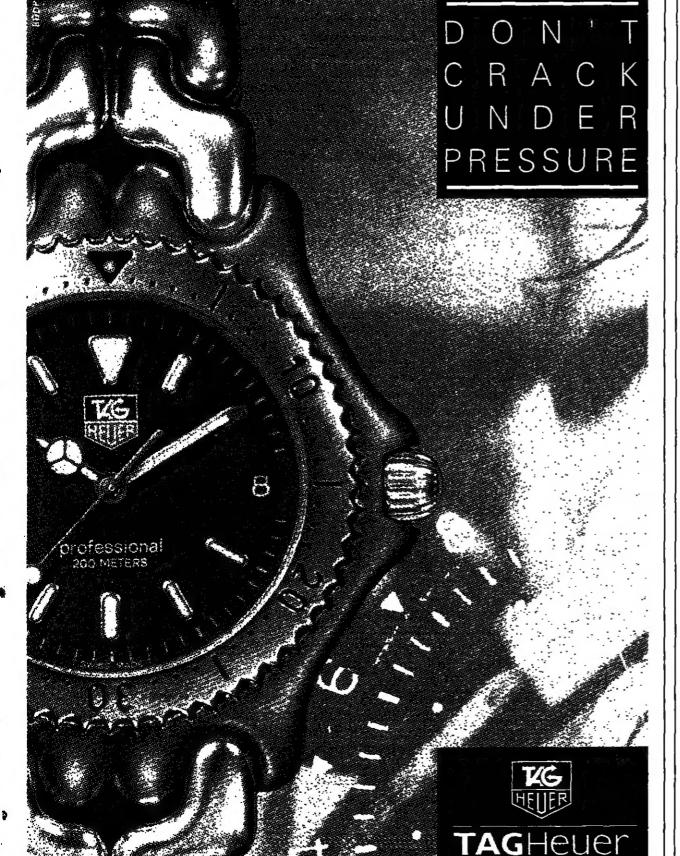
of Ulster. His fear must be that if the DUP led Mr Paisley manages to take grassroots protestant opinion with him, then Mr Molyneaux also will be dragged towards complete disavowal of a search for a comprehensive settlement.

There were one or two hopeful signs vesterday. Conservative MPs strongly committed to the preservation of Northern Ireland's place within the UK chose not to attack the prime minister. Mr Norman Lamont, the former chancellor of the exchequer, said it would have been wrong not to respond to the IRA. Mr Molyneaux, briefed in advance of the revelation, appeared ready to

reserve judgment. But trust - or rather the absence of it - has always been the deciding factor in efforts to restore peace to Northern Ireland. No-one in London could argue that the latest revelations would not arouse fur-

ther suspicion and hostility. Mr Major and Mr Albert Revnolds the Irish prime minister, will try rebuild confidence at their forthcoming







Ecosys the office printer that costs both you and the environment less.

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that standard printer cartridges frequently need replacing. True, it's wasteful, costly and damaging to the environment, but offices need printers and most printers cause waste. And for every day that people use standard printers, that waste becomes more of a problem. Unless we do something about it. The new Ecosys range of office printers offers

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Reclaiming VAT around Europe

Michael Skapinker looks at the obstacles to recovering taxes on business services

tay in London and you can get back the value added tax you pay on your hotels and meals. In Amsterdam, you can claim back VAT on your hotel bill but not on meals. In Paris you lose it all.

Anyone who believes the single market and the European Union are established facts has never looked at the tortuous procedures business travellers have to go through to reclaim VAT on business services.

In principle, someone travelling on business from one EU country to another can reclaim VAT spent on certain services. The first difficulty is establishing which services.

The UK and Cermany are generous to business travellers, allowing them to reclaim VAT expended on hotels, car rental and other transport, petrol, meals, professional fees, conferences, trade shows and training courses. Countries such as France, Ireland and Italy are less open-handed.

Most EU countries allow business travellers from outside the Union to reclaim VAT. Some, like Italy, do not allow non-EU citizens to reclaim unless their own countries offer reciprocal arrangements. For those who have managed to understand what can be

reclaimed, the bureaucratic battle has only just begun.

| | Rental | Petrol | Meals | | Transport | Professional Fees | Conference Trade Shows | Training Courses |
|----------|--------|--------|----------|-----------------|-----------|----------------------|---------------------------|---------------------|
| 10 | - | - | 20 | Austria | 10 | 20 | 20 | 20 |
| _ | 19,5 | 19,5 | - | Belgium | - | 19.5 | 6 | 19.5 |
| | | 25 | - | Denmark | - | 25 | 25 | 25 |
| | - | - | - | France | - | 18.6 | 18.6 | 18.6 |
| 15 | 15 | 15 | 15 | Germany | 7 or 15 | 15 | 15 | 15 |
| | - | - | - | Greece | - | - | | |
| - | - | | - | kreland | - | 21 | 21 | 21 |
| | - | | - | Italy | - | 19 | 19 | 19 |
| 3 | 15 | 18 | 3 | Luxembourg | 3 | 6 | 6 | 6 |
| 5 | 17.5 | 17.5 | - | Natherlands | 6 | 17.6 | 17.5 | 17.5 |
| • | | | - | Norway | - | - | - | - |
| - | - | - | - | Portugal | - | 16 | 16 | 16 |
| 15 or 16 | 15 | 15 | 15 or 16 | Spein | | 15 | 15 | 15 |
| 12 | 21" | 21 | 21 | Sweden | 21 | 25 | 25 | - |
| 17.5 | 17.5 | 17.5 | 17.5 | UK | 17.5 | 17.5 | 17.5 | 17.5 |

There is no central clearing house for VAT reclamation. Nor does the EU have a single working language. Applications in Denmark must be completed in Danish, in Greek in Greece and Dutch in the

Even then for those who do manage to fill in the forms in the correct language, there are traps everywhere. Among the mon is failing to get the right invoice for services: invoices must specify what

VAT was paid. Another mistake is to have an invoice made out to the company's subsidiary in the country in which the expense

LIKELY WEATHER IN THE LEADING BUSINESS CENTRES

was incurred. Instead, invoices must be made out to the company in the business traveller's home country.

Understandably, given the complications, many compa-nies do not bother to reclaim. They write off VAT paid in another country as part of the cost of doing business abroad. That was the attitude taken by management consultants Arthur D. Little until a year ago, William Stormont, a direc-

tor of the consultancy, says: Our travel bill was very large, but reclaiming VAT is a very labour intensive exercise. Understanding the attitudes in each of the countries was quite

@ = B = @ · B = # · @ = B · B ·

a deterrent as far as we were concerned," he says. The consultancy turned to Meridian Vat Reclaim, one of several companies now specialising in making claims. In one year, Arthur D. Little has received £4,500 back after commissions. Stormont admits it is

not a fortune, but adds that

every bit helps in these diffi-cult times. UK Customs and Excise publishes a VAT refunds booklet called natice 723.It is available free from HM Customs and Excise, VAT Overseas Repayments, Custom House. PO Box 34, Londonderry, Northern Ireland, BT48 7AE

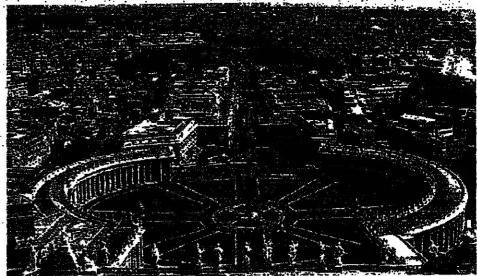
ore than three years after discovering that the Fiumicino airport and the "city centre" was far from cen-tral, travellers will be pleased to learn that the service has finally penetrated Rome's

heart. The link, built for the 1990 soccer world cup, was always a disappointment to budgetconscious tourists, as trains stopped about a mile short of the city centre at the suburban station of Ostlense. The obliga-tory taxi ride into town added L10,000-L15,000 to the rail ticket, now L7,000 (£2.80).

That meant the journey was still only about one third the price of taking a taxi all 16 miles from Flumicino, but added a great deal of inconvenience. Having to change from rail to taxi (or hike the 10 minutes to the nearest underground stop) meant Ostiense was a drag, particularly after the popular direct bus service from the airport to Rome's main Stazione Termini railway terminus was suspended soon after the new rail link opened.

Ostiense also acquired an unfortunate early stigma after many taxi drivers either boycotted the new terminal or made fictitious claims about "rail strikes" or "problems on the line" to persuade passengers to continue all the way to

Last Saturday everything changed. Now, 15 trains a day run non-ston between Fiumimini, in the heart of town. The



Airport train finally reaches Rome's centre

new service, between 7am and 8.50pm, is costlier than its forerunner, at L12,000 one way. But the air conditioned and 1st class only coaches come as a godsend to those wanting to avoid venal taxt drivers or rush-hour traffic.

Better still, Alitalia, Italy's tate airline, has inaugurated four check in and ticket desks alongside Stazione Termini's platform 22, from which the with hand baggage only

hopping on the train for the 30-minute ride.

The only drawback with the new train is the frequency, only once an hour each way. Italy's state railways, which has already broken new ground with Alitalia by inaugurating new Florence-Fiumicino and Naples-Fiumicino services, claims a more frequent schedule is impossi-Meanwhile, the old rail link

the east, it may be more conve-

Haig Simonian

continues as before, though the modernistic steel and mar-

ble air terminal at Ostiense

has been closed. Travellers can

still use the Ostiense suburban

station on the other side of the

tracks for the airport train.

However, as it now continues

to other suburban stops before

terminating at Tiburtina to

TRAVEL ADVICE

Disruption on way out of Italy

Italian air traffic controllers are expected to strike today and tomorrow for a couple of hours early each morning. Flights leaving Italy are likely to be disrupted before midday, but airlines expect few delays for in-coming journeys.

BELGIUM: Difficulties caused by the general strike last week, which involved air traffic controllers, have now been solved. Flights of TAT, British Airways' French regional carrier, are expected to be back to normai following last week's delays caused by pilots' union

NIGERIA: The Foreign and political situation remains uncertain. There is a high incidence of street crime and armed robberies, especially in Lagos and southern states. 'Fravelling outside cities after dark is unsafe.

El SALVADOR: Although the civil war has ended, there is still lawlessness. Many victims are being murdered in the course of robberies, especially where they resist. Travel after dark should be avoided.

Outbreaks of cholera occur periodically. Travellers are advised to contact the British Embassy (98-1763, 98-1769 or 98-1455) for the latest news. CHINA: China remains gener ally a safe place, but muggings

harassment are increasing. Visitors should guard their money and valuables in public areas. Women-travelling alone should be careful. Our limited representation

and the poor local communications make it hard to guarantee quick help for citizens in difficulty outside Beljing (especially in Tibet). Those travel-ling outside Beijing should make a note of the full address, telephone and telex numbers of the British Embassy, Beijing, and the British Consulate Gen-

eral. Shanehal. MONGOLIA: Visitors travelling through or to Mongolia must have a valid visa and reg-

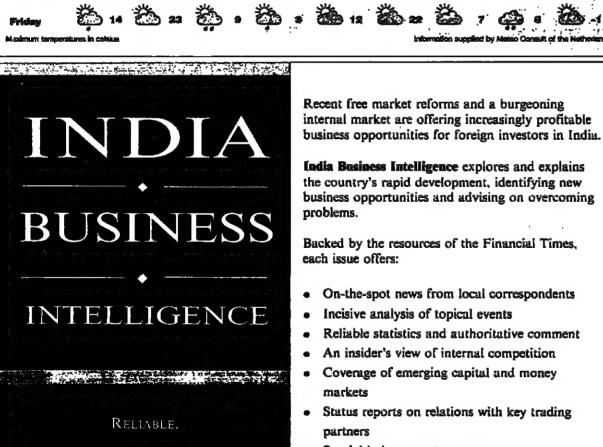
ister with the police

authorities after their arrival.

Street crime is rising. Visitors should remain vigilant and not travel alone off the main streets of any town. Wherever possible use regular

Domestic flight schedules are uncertain because of shortages of aviation fuel and a lack of advance booking facilities. There are also doubts as to aircraft safety because of poor

servicing.
Additional information from Travel Advice Unit, Consular Department, Foreign and Com-monovalth Office, Clive House, Petty France, London SW1H 9HD, Tel: 071-270-4129.



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07:15 European Business Today†

12:30 FT Reports†

22:30 European Business Today†

TUESDAY

06:30 European Business Today†

07:15 European Business Today†

07:45 FT Reports*

12:30 West of Moscow† Petting the Bear. Will further EC concessions to Russia damage business in Western Europe?

13:15 FT Reports*

15:45 FT Reports*

18:45 FT Reports*

22:30 European Business Today†

23:45 FT Reports*

WEDNESDAY

06:30 European Business Today†

07:15 European Business Today†

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06:30 European Business Today†

07:15 European Business Today†

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West of Moscow* 18:45

FT Reports† Tunnel Vision. Will Britain lose

> competitive edge by failing to link up to the Channel tunnel? EUROPE BUSINESS M O N I T O R

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07:15 European Business Today†

12:30 FT Reports† 20:30 FT Reportse

22:30 European Business Today†

SATURDAY

03:30_ West of Moscowe 13:30 West of Moscowe

SUNDAY

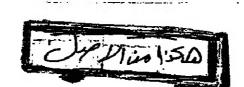
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Daniel Green reports on an airline's pursuit of punctuality

Travellers leaving Hong Kong on Cathay Pacific should consult their watches more closely than usual. The carrier has introduced a "doors close on time" policy in an effort to reduce the number of late departures suffered by just about every airline at the crowded airport.

The principle is that the check-in desk closes half an hour before scheduled departure. The gate shuts with 10 minutes to go.

Passengers arriving after the deadlines will not be allowed on board. Anyone who has checked in but not arrived at the gate 10 minutes before departure will have their luggage taken off the aircraft the latest computer labelling technology allows the bags to be found quickly.

The problem Cathay is try-

ing to solve is that delays on longhaul flights out of Hong Hong can easily be an hour or more if the take-off slot is

missed. One late passenger can leave the other 400 people on a Boeing 747 sitting on the tarmac for an hour or more.

Left behind

"Some passengers have been lulled into feeling they can turn up at the last minute for flights. They would not turn up like that for a bullet train. from Tokyo to Osaka, or for a theatre performance," says Mr Tony Tyler, general manager of Cathay Pacific Europe.

"We are going to upset some people but the silent majority will applaud us."

The scheme's first few months of operation have seen punctuality improved dramat-

ically, and 300 passengers left

behind in Hong Kong. No one left at the departure gate has complained, claims Mr Tyler. He admits, though, that some people trying to check-in less than 30 minutes before scheduled departure were upset at being barred

"At [Hong Kong's] Kai Tak airport, there is no way they could get from check-in to the aircraft in time," he explains.

Cathay may be facing a lone struggle to persuade the tem-porally challenged to change their ways: British Airways, which also flies from Hong Kong, will not be following Cathay's lead.

"We have a very good punc-tuality record," insists BA. "We see no reason to change

Tips on tipping at the table in London

Nicholas Lander offers an answer to a perennial riddle

How big a tip should you leave in a UK restaurant? Many British diners are unsure and visitors from countries with fixed service charges are often com-

pletely bewildered. There is no uniformity to the service charges in UK restaurants. Restaurateurs offer a bewildering set of options at the bottom of their bills.

These fall into four main cat- Prices include service and VAT. In the UK, all menu

prices include VAT by law. But the phrase "service and VAT included", the one most commonly used in the rest of Europe, usually appears only in hotel restaurants and coffee shops and the most expensive restaurants.

Even in the latter, pay stiention. One of London's finest restaurants, La Tante Claire, quotes service inclusive prices credit card, incorporates the latter at the top of the slip but leaves the service box empty making it very easy for you to pay the service charge twice. This is an iniquitous habit

that can prove very costly to the business traveller. · A percentage called *service" appears on the bottom of your bill. The percentage must be displayed on the menu (10, 12.5 or 15 per cent). This is an expensive system for the restaurateur because National Insurance contributions have to be paid on this additional

amount. For this reason it is usually replaced by

"Optional service charge". A
misleading phrase because you
are often left feeling that it is not optional at all. It as been criticised by the Department of Trade and Industry but is sadly only too common.

but then, when you pay with a . "Service charge is not included, gramities at the cus-tomers' discretion". This is the phrase used by a large number of restaurants and one that creates confusion and embar-

rassment for the customer. Whichever system is adopted, almost every UK restaurant today pools all tips and service charges and then shares them out on a points system (based on experience and ability) to the waiting staff

via their wage packets. There is no advantage in leaving cash other than in small restaurants or as an extra appreciation of excellent

Many restaurants are trying to raise the service charge to 15 per cent but this, unless the service is exceptional, is excessive. If service is optional, 12.5 per cent is an adequate reward for attentive service.

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III TOMORROW Adecene 73/96 Cv. Rd. Pf. 3,875p Alfied-Lyone 55/96 Cm. Pf. 1,925p Do. 7/96 Cm. Pf. 2,825p Automated Security 696 Cv. Rd. Pf. Dot 7996 Crit. Pf. 26cap Automated Security 896 Cv. Rd. Pf. 3p Berikers Inv. Tst. 0.8p Do. 3.696 Cm. Pf. £1.75

Ob. 3576 Scot. 94% Non-Cm. Irred. Pt. 4.625p Do. 93% Non-Cm. Irred. Pt. 4.876p Do. Undated Var. Rate Nts. \$104,90 BBA 6,75% Cm. Rd. Or. Pf. 3,375p BNB Resources 1.5p Bradford & Bingley Bidg, Soc. FRN's 144 Pt 64 THE STATE OF THE S E5.1879 BTR Nytex A\$0.05

BTR Nytex ASO.05 Canning (M.) 71/96 Un. I.n. 88/83 E3.75 Capital & Courties 61/96 1st Mitg. Db. 95/2000 £3.4375 Chesses Manhetton FRN '97 Stig.47 Chesses Bit Fitg. Ratio Cap. Nos. '94 £76.35 City of Oxford Inv. Tet. 1.2p Clayhithe 91/96 Sub. Cnv. Uns. Ln. 2000/ 01 £4.75 Collaboration Mitg. Secs. (No.5) Mitg.

OT 64,75 Collegardiand Mtg. Secs. (No.5) Mtg. Backed FRN '27 \$138.64 Do. (No.7) Class A1 FRN '28 \$55.41 Do. Class A2 '28 \$182.05 Do. Class A3 '28 \$184.55

UK COMPANIES

III TODAY
COMPANY MEETINGS:
EH-Lands, Harcourt House, 19 Cavendish
Squers, W., 11.00
Dorling Rindersley Hidgs., Parlament
Chember, Crown Office Row, Innor
Temple, E.C. 9.30
G.R. §Hidgs.), Chartered Accountants'
Half, Moorgate Place, E.C. 10.30
Queens Moost Houses, The New
Conneught Rooms, 61-86 Great Queens
Street, Helborn, W.C. 12.00
Whitegate Lateurs, Great Eleptern Hotel,
Universal Street, E.C. 12.00
BOARD MEETINGS:
Finals:

Finals: Control Techniques SEP industrial Sheetherik Prop. Tst. Interims: Associated Nursing Sen Borthvaicies Brissel Evening Post EFIA Incoxe Tst. Gartmore Scattand Gartmore Scattand Gartmore Value Kinsydown Sheet Diagnostics Tope Estates

III TOMORROW COMPANY MEETINGS:

Do. (No.9) Class A1 FRN '33 \$2.37 Do. Class A2 '33 \$162.05 Do. Class A3 '33 \$163.80 Communy Hospitids 4.5p Conta-Cycledi Inv. 753. 225p Co-operative Bank 9,2574 Non.Cm. New Brumsunck FRIN '94 C\$13.27 NHL (1) Secs. Def. Int. Mig. Backed FRIN 28 \$214.21 O.K. Bazzars (1929) 6% Gross Cm. 2nd Pf. R0.06 Ossory Ess; 12.5% -98 \$17,143.47 Paterson Zochons 7.5% Cm. Pf. 3.75p Do. 10% Cm. Pf. 5p Ped 5%% Cv. Non-Virg. Pf. 2.635p Ragby Gd. FRN 197 \$8,923.06 Do. FRN 198 \$8,923.06 Record 1.15p Co-operative Bank 9.25% Non-Com. are Pf. 4.625p Cropper (James) 9% Un. 94/99 \$4.50 Corting Kinderstey 2.2p Duniop Plengations 6% Cm. Pf. 2.1p

Duniop Planations 6% Cm, Pf. 2.1p ECU Tat. 0.5p ELSportefinans 7%% Nta. 36 E42.29 Electric 8 Gen. Inv. 10%% Db.*11 25.375 Planning Gened Inc. 3 Assets Inv. 6.3-13.3% Pig. Prf. 6.3p Planning Gened Inc. 3 Assets Inv. 6.3-13.3% Pig. Prf. 6.3p Planning Gened Inc. 15 Inc. 15 Inc. 15 Planning Avenue Ests. 11% 1st Mg. Db. *14 E5.59 Geared Income Inv. Tst. 1.75p Glasgow Income Est. 0.6p Goodhead 7% Cv. Rt. Pf. 3.5p Great Western Financial \$0.23 Halfas Bidg. Soc. FRN '96 E76.35 Db. FRN '96 E26.38 Nays 3.8p Homer Finance 8 Mg. Backed FRN '30 E204.49 Hong Kong Inv. Tst. 1p Hopkinsons 0.5p How 0.375p Houstons 0.5p ECU Tat. 0.5p

Hoptioneonis 0.5p How 0.375p Hunting 8.25% Cz. Pt. 4.125p Hydro-Quebec 15% Ln. "11 £7.50 BM Intl. 0.55p Hony & Sime ISSS Tst. Cv. Annuity Sp Jandine Matheson (Bermuda Reg.) \$0.088 Do. (Jersey Rog.) \$0.068 Jove Inv. Tst. Income 2.98 Jove kry, Tst. knoome 2.9p Lee Valley Water 816% Rd. Db. 92/94 23.43 Linton Park 10%% Un. Lr. 92/97 24.36549 134.36549 Lister 5% Cm, Pf, 1.75p Do. 4% Ob. Rd. 52 Lloyds Bit Primary Cap. Und. FRN (Series. 2) \$88.88 Landon & European 101/4% Urt. Ln. '93 £5.25

13.25 Landon & Manchester 5.12p Manchester United 13.5p Maunders Llotel 2.85p Mezzenter Cap. & Inc. Tst. 101 Inc. 5.5p Midland Bk. 14% Sub. Un. Ln. 102/07 57 Mild-States Sp Minstergate 10% Cm. Pt. 5p Minstergate 10% Cm. Pt. 5p Minsul O.S.V. Lones FRN '97 Y78,993 Nat. West. Bk. Primary Cap. FRN C 585.31 Do. Undalled Variable Rata Nits. \$107.43 Nationaide Bidg. Soc. FRN '98 (2nd 1 C91.38

NCR 4% Gld. Ln. 93/88 52 Do. 84% Gld. Ln. 93/88 54.25

MR-Data Management, Formers & Flatchers, Livery Hall, 3 Cloth Street, E.C. 12.00 North American Gae Inv. Tst., The City of Landon Club, 19 Old Broad Street, E.C. 12.30 Practical law. Co., 111 Cannon Street, E.G. 12.30 St. Ives, St. Ives House, Lavington Street. S.E. 10.00 BOARD MEETINGS:

Finals: Emerger Finals: Emerger Environment Finals: Environment Fi Anglo United Cape Dewson Inti. Sastem Electricity Sassam Electricat
JLI Grp.
Johnson Matthey
Metrotect Inde.
Monks Inv. Tat.
Philip Harris
Rotinmans Intl. Royal Tst. Gov. Sec. Fund Worth Inns. III WEDNESDAY DECEMBER 1 COMPANY MEETINGS:

1. The Turkish Electricity Authority (TEK) invites

2. A complete set of Bidding Documents may be

TURKISH ELECTRICITY AUTHORITY

Inonu Bulvari No: 27 Kat: 3 Oda No: 032

Telephone: (90) 212 69 15/Ext. 3317

Telefax: 90(312) 213 88 70-74

Bahçelievler Son Durak ANKARA/TURKEY

which should be accompanied by the receipt of

payment of a non-refundable fee of 480,-USD or

6.500.000,- TRL to the following address:

TURKISH ELECTRICITY AUTHORITY

Bahçelievler Son Durak ANKARA/TURKEY

All Bids must be accompanied by a bid security

in an acceptable form of not less than 3% (three

percent) of the bid price and must be delivered

TURKISH ELECTRICITY AUTHORITY

Inonu Bulvari: No 27 Kat: 3 Oda No: 03057A

on or before 12.00 hours on 13 January 1994

TURKISH ELECTRICITY AUTHORITY

Inonu Bulvari: No 27 Zemit Kat A Blok

5. The Turkish Electricity Authority is exempt form

the Law No: 2866 (of the Republic of Turkey)

Bahçelievler ANKARA/TURKEY

Bids will be opened in the presence of those

Bidders or their representatives who choose to

attend at 14.00 Hours on 13. January 1994 office.

06460 Bahçelievler ANKARA/TURKEY

a written application to:

General Management

General Management

General Management

General Management

Procurement Commission

Department of Foreign Trade

Department of Finance

Inonu Bulvari: No 27 Kat: 4

Department of Foreign Trade

sealed bids from Bidders with adequate

knowhow and experience for the supply of 2

mobile substations and tractors and 2x100 ton

purchased by Bidders on submission in person or

THE WEEK AHEAD

FIMC Capital 8-4% Cv. Cop. Bds. 2006
£43.75
Roskel 1.3p
Royal Bis. of Can. Rig. Rate Diss. '05
\$28.89
Russel (Alex.) 0 5p
St. Mowden Props. 8.5% Cm. Rd. Pt.
2nd Pt. 4.25p
Samua Bis Sob. FRN 2000 \$864.72
Scantronic Cv. Rd. Pt. 3.625p
Scottieth TV 2.1563p
Scotter Tv. Ye. Cv. '08 £168.15
Senor Eng. 1.26p
Sidlaw Cv. Rd. Pt. 4.25p
Specialeyes 10°6 Cv. Un. Ln. 2000 £4.19
Sphere Nv. Tst. Inc. & Ress. Cap. 0.75p
Do. Share Package Units 6p
Stering Publishing 616 Cv. Cm. Rd. A
Pt. 3p Pf. 3p Stocklard Selvers 4% Cm. Pf. 2p

Sun Aliance 5.250 Do. 71/16 Cv. Sub. 108 253.75 Tate 8 Lyk Cv. Hd. 10.8 253.75 Telefonica de Espans 4% Cv. 103 \$135.55 Thorntons 2.4p 3i Intl. Gtd, FRN '94 £15.27 Throgmarton Tst. 124% Db. '10 95,15825 Da. 7,25% Cv. Un. '03 93,625 TMC P.I.M.B.S Fifth Fin. Ord. Class Nts. Issue 6 '28 187.36
TMC P.I.M.B.S. Issue 1 '30 £154.08
Do. Severith Fin. A Issue 8 '31 £123.34
Do. Class B '31 £168.29
TR City of London fat. 1 23p
TR Smaller 101% Db. '16 £5.25
TSB H4 Samuel Bk Co. Perp. FRN \$271.25
T.T. Fin. 11.24 Gid. '18 £5.65625
Venturl Inv. Tst. Inc. 1.58p
Wells Fargo FRN 2000 \$46.67
West Tst. 2.5p
WPP 0.35p Issue 6 28 587 56

WEONISSDAY DECEMBER 1 Ahmanaon (I-I-) 50.22 American Brands \$0.4925 American General \$0.275

Centre Communications, 52 Treadneeds Street, E.C. 12.00 Whitesy Nackey-Levis, 55-55 Whit Street, W., 330 BOARD MEETINGS: Finals: Huntingdon intl.

Argyll Grp., British Bio-Technology Field Cop. GEC GEbon Lyons Grp

Yorkshire Water THURSDAY DECEMBER 2 COMPANY MEETINGS: Sectorsan (A.), Durrents Hotel, Geo Breet, W., 12.00 investors Capital Tst., 1 Charlotte Square, Edinburgh, 12.30 SQUARD MEETINGS:

Leeds Grp. Metro Radio Grp. Royal Bank of Scotland

Do. Series B \$0.5438
Do. Series C \$0.4219
Do. Series C2 \$0.1408
Do. Units \$0.5256
Do. N.C Dollar-Denominated Pl. D1
\$0.4313
Do. Series 02 \$0.1437
Do. Reg. D Pl. Units \$0.575
Carrung (W.) 2.549
Caler Atlant Sc. Cm. Pl. 1,75p
Do. 4.24\$ 2nd Cm. Pl. 2.15p
Chds Intl. 2.95p
Delta 4.29
Delta 4.29
Delta 4.29
Delta 4.29

94 E3 625 Do. 44% Perp. Db. £2.125 Furtau Y3 Do. EDR Y3 Garton Eng. 1.125p General Cons. Inv. Tat. 43x% A Cm. Pf.

\$1,4875 Gerfinance 11,49% Ln.107 \$57,45 Goven Onemat Inv. Tst. 5% Cm, Pl. 1.75p Greet Pontand Ests. 9.5% Cv. Un, Ln. 2002 C4.75 2002 10.75 Greencoare 9.5% Cv. Un. Ln. '95 04.75 Hambros tinv. Tst. 34/% Cm. M. 61.225 Hamis (P) 71/% Cm. Pt. 2.625p Do. 8% B Cm. Pt. 2.6p

Lot. 5% S. Cm., Pf. 2.8p Honeywell \$0.24 Ibstock Johnsen 0.5p Illingworth, Morris 7% Non-Cm. Pf. 1,225p Loco \$0.10

Ingersoll-Rand S0.175 tral. Stock Exchange 71/16 Mag. Db. 90/ Jardine Strategic (Bermuda Reg.) \$0.04 Do. (Jersey Reg.) \$0.04 Jones (A.) 51/24 Cm. Pf. 2.275p Kleinwort Charter Inv. Tst. 4% Cm. Pf.

Lombard North Co. 2.1p 2.1p Do. 5% Cm. 2nd Pt. 1.75p London (County of) 21/% Cns. 50.625 Do. 3% Cns. 50.75 Minerals Olis & Res. Fund \$0.22 Monks Inv. Tst. 11% Db. 2012 \$5.50

Govett American End. Fund Scape Grp. Severn Trent Tinaley Robor Wrachem & East Don. Water

FRIDAY DECEMBER 3 COMPANY MEETINGS: Bleco Hidgs., Institute of Directors, Pal. Mall, W., 12:30

& Club, Paxton Road, Totterham, N. TR Par East Income Tat., 3 Finabury Avenue, E.C., 12.00 Wetherspoon (LDJ, 760 High Road,

Interime: Explana Hidgs. meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximate so; weeks after the board meeting to Monsanto 5% Gtd, Ln. 192/97 €2 50 Do. 64% Gtd. Ln. 192/97 €3.125 Murray Smaller Markets 41% Cm. Pf 2.05p Natl. Home Loans Secd. FRN 195 51 64 DKG Retmotable Bos. 197 588

DKG Retrinctable Bits. 197 \$88 Ordano & Quebec Rail. Cap. Sri., CS3 Do. 5% Perm. Db. C2-50 Perry 2 75p Reed Ind. 41% Cm. Rd. Pt. 1.975p Do. 59/96 Cm. Rd. Pt. 1.925p RMC 6.6p RPH 4% Cm. Pl. 1 4p APPJ 4% Cm. Pl. 1 4p Do. 8% Cm. Pl. 2 8p St. Jernes Place Capriel 1.5p Save & Prosper Limiced Inv. Inc. 13 5p Scottich Mortgage & Tst. 1.35p Sarry Corp. Y25 Suffalk Water 7% Rd. Pl. 96/98 3 5p Sun Alliance 5.25p TR Smaller Co's Inv. Tst. 4½% Cm. Pl. 1.575p Union Carbido \$0.1875 Ltd. Mingdom 3½% War Ln. \$1.75 USUFE \$0.31 Vent 7% Cm. Pl. 2.45p

West 7% Cm. Pt. 2-45p Winght (J) (Weaving) 45/5% Cm. Pt. 1 575p THURSDAY DECEMBER 2 Anglo Amer. Inv. Tst. R0.87 B.A.T. Inds. 1214% Un. Ln. 03/08 06 125

BMSS 1.5p Cadbury Schweppes ADR \$0.2772 Enterprise Oil 103-46 Un. Ln. 113 85.376 MR Data Management 3.46p New Central Witwatersrand R0.72 Trace Computers 0.9p IN FRIDAY DECEMBER 3

Abertorth Split Level Tst, Inc. 2p Do. Units 2p Alexandra Workwear 2.1p Berry Birch & Noble 2.1p Birton 6 67p Boeing \$0.25 Bostrom 2 5p Bupa France 101/1% Sub. Gtd. '18 £545.42 Cecutal Inds. 2p. Capital Inds. 2p EW Fact 1.76p Exmoor Outil Inv. Tst. 1 85p Do. Income Sts. 2.75p Fuji Bit Intl. Fin. Undated Sub. Gld Ver Nts. \$1,036.19 Galette \$0.21

Gillette 80.21 Laind 4.2p Lloyds Chemists 5.25p Moss Bros. 1.5p Refuge 10.35p St.Ives 4p Shiloh 1p Umted Newspapers 7.5 Yorkydo 2.2p

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PUBLISH THIS SURVEY ON MONDAY 13TH DECEMBER REVIEWING TH PROGRESS AND FUTURE OF TELFORE ON THIS SPECIAL DAY

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Relationships

INVITATION FOR BIDS DECEMBER 6 & 7 Bid submission date 13 January 1993

Emerging Structures in Energy Industries Convened by the RIIA. The British Institute of Energy Economics and the International Assoc for Energy nics. Spansored by Coopers & Lybrand, Texaco, and the International Petroleum Exchange, Held at Chatham House, Enquiries: RHA Conferences, The Royal Institute of International Affairs,

m House, 10 St James's Square, SWIY 4LE Tel: 071 957 5700 Fax: 071 957 5710

DECEMBER 6 & 9

Product Liability Seminar Protect your company/client from litigation in the USA. One day seminars on Product Liability by leading US Attorney plus a representative from the Institute of Safety Analysis.

For further details phone Linda Nath on: Tel: 071 323 2722.

LONDON/MANCHESTER

DECEMBER 7 & 8 DECEMBERT 7 & 8

Pensions - 'A Time for Change'
The aim of the conference is to provide a forum to discuss key issues of current concern to peasion fund administrators and their advisors, review the implications for the industry of the Goode Committee's report and examine investment strategies to a climate of low inflution.

Laughties: Financial Times:
Tel: 071-814-9770

Tel: 071-814-9770

DECEMBER 7 & 8

Second City of London Central Banking Conference Chris Stals, Jan Plenderleith, Phillipe tol. Manuel Guitian, Rei Manunaga. Robert Guy and Rackel Louist contri to this the second Cityforum and Central anking conference supported by the World Gold Council Information from: Marc Lee Tel: 0225-466744 Fax: 0225-442903

DECEMBER 7 & 8

World Telecommunications
The conference will examine regulation in
a competitive market, the challenges and
problems of privatisation, as well as the
apportunities that liberalization are providing for equipment ma Enquiries: Financial Times: Tel: 071-814 9770 Fac: 071-873 3975/3969

DECEMBER 9 The UK Economic Recovery Key drivers for business planning in the mid 1990s

The Henley Centre's annual econor conference follows bard on the book of the budget, giving delegates the opportunity to hear the Centre's assessment of short and undiam-term prospects for the UK Economy. One A25 + VATContact: Anna Harman Tel. 071 LONDON

DECEMBER 14 Skills Focus Annual Conference Encouraging Individuals & Employers to Train: social and

Tel: 0602 455285 Fax: 0602 817137

economic perspectives.

One day conference sponsored by the Employment Department. Will examine: factors that encourage or discourage training; policies and strategies that will age increased training: Fee £88.17

inc VAT. Contact: Yvonne Orengu, Policy Studies Institute: 071 387 2171 ext 205 Pax: 071 388 0914

MANCHESTER DECEMBER 14-15

Information Highways
An intense two day analysis of advances in networking to support business, processes and communication needs of enterprises. Reviews: aystems implemented across a diversity of networking technologies; client-server, multimedia; actwork management; dan warehousing; technical presentations; product evaluations and user case studies. Histord by US Embassy, London.

Contact: Unitiom, Tel: 0895 256484 Fasc 0895 813095

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WORKSHOP

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Contact; Business Intelligence Tel: 081-544 1830 Faz: 081-544 9020 LONDON

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Strategy in a partial strategy in the strategy Hon John MacGregor OBE MP, David Curry MP, Issues incl land use, investment criterta, private finance, road charging, congection, demand management, regulatory control, DRIVI:, green lower & Landon's transport needs. Curtact: lain Dale, The Witerfront Partnership Tel: 071 730 0430 Fax: 071 730 0460

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DECEMBER 1-3 Meeting of European & American Cities to Discuss Experiences in Strategic

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Representatives from Decoamerican and
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Bacciona 2000 Strategic Plan
Bruc 21 4723, E-08010 BARCELONA Tel: 34 3 318 7051 Fax: 34 3 317483 BARCELONA

DEC 8 & JAN 18 Profiting from Altiances: NAFTA and Global Informa

Executive seminars provide a unique opportunity to discuss and learn more about new business opportunities and alliances: Topics: Profiting from Alliances in NAFTA and Investing in the Chebal Information Megamarket, \$400, 8am to 1pm. Contact: Matear Management Sentinan Tel: 1-415-637-7711 SAN FRANCISCO

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The Outlook for Natural Gas in the 1990s In the 1990s.
This year's meeting will provide a high-level forum to review developments in key markets, consider producer strategies and examine the financing of gas projects. Enquiries: Financial Times: Tel: 071-814-9770

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- before the final date for presenting proposals. 3 The cost of the Document of Specifications is PEsc.: 600.000\$00. plus VAT. An english translation is available at an additional cost
- of PEsc.200.000\$00. Proposals must be received by CABO TV PORTUGAL, SA before 6 pm on January 28th, 1994, at the address above.

the address above, by 10 o'clock on January 31st, 1994. CABO TV PORTUGAL, SA

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COMPANY

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December, 1993. iber, 1993. Agent Senk and Principal Paying Agent ROYAL BANK OF CANADA EUROPE LIMITED

NOTICES THE ROYAL BANK OF CANADA

Debentures due 2005 period commencing 31st December, 1993 will be determined on 29th

Nothing succeeds like succession

Sir David Plastow, chairman of Inchcape, offers advice on how to plan for board succession

or anyone fascinated with the way that apparently well-run and successful companies can suddenly come to grief without warning, the past few years have been a time of above-average interest.

Several large organisations have hit trouble in spectacular fashion. Some collapsed altogether while others survived, but with their corporate reputations dented. Global recession, personal

greed, over-inflated egos, the lust for power and plain incompetence at a senior level bave all contributed. But another cause has been the lack of effective boardroom succession planning. Some otherwise excellent board

that they are blind to the problems they can face if the balance of their board is upset.

What happens when the chairman slips under the proverbial red bus, or when several board members who should already have retired decide simultaneously that struggling each month to the boardroom for meetings is getting too much for them? Either way, the board can unexpectedly find its composition changed beyond recognition. Gaps may appear in the board's spread of competences. Shareholders may

But these problems can be avoided. What is needed is a clear set of rules and commitment from the directors that they will follow

The key is fixed retirement ages Different age limits may suit different companies but 60 for executive directors and 65 for non-executives has worked well for the boards on which I have served. Equally important is the need to maintain a balance of ages. If retirement is compulso at 65 and the directors are in their early 60s there are problems

The succession policy should also make it clear that non-executives are appointed for fixed terms, with no automatic



Calling in a headhunter reduces the likelihood that directors will nominate one of their cronies

should be neither jobs for the boys

nor jobs for life. The ideal term is an initial three years, with another three-year period if all is going well, followed by annual reviews. Whatever standard appointment periods are agreed, it is important that they are there for all to see. This does away with uncertainty and the embarrassment caused when directors have to tell a colleague the time has come to step down.

Inevitably there will still be cases where a director will say: "Joe has never been fitter, and he is as bright as a button. How can we possibly let him go just because he is 65?" This attitude must be met head-on by the board. Unless they resist the temptation to make exceptions the benefits of a carefully structured succession policy are lost.

And when directors do leave, how should their replacements be recruited? During their careers company directors build up an impressive network of contacts. Some directors think that because they have this network they know best when it comes to choosing candidates to join the board. Unfortunately they are usually

That is why it is essential for a headhunter to be called in. This ensures that the widest possible range of candidates is considered and reduces the likelihood that directors will, possibly for the wrong reasons, nominate one of their cronies.

It is equally important that the nominations committee should have the support of the whole board in the final selection.

all this lies with the chairman who, taking a look in the corporate mirror, should have an agreed period in office and eventual replacement. As an extension of this, one of the first things I did in my present role was to ask our senior non-executive director to take responsibility for organising my replacement if that ever became

necessary, for whatever reason. Directors who fall to recognise planning at board level are storing up trouble for the future. Some may get away with it but there is a real risk, as we have seen. that it will all end in tears.

Next Monday: James Hann of Scottish Nuclear on managing time.

Christopher Lorenz looks at pressure to trim head offices

Size isn't everything

rom General Electric and Dow Chemical in the US to British Petroleum and ICI in the UK, countless large Anglo-Saxon companies have noisily reduced the size of their head offices in the last few years.

comprehensive new study many corporate HQs in Britain are still bloated, bureaucratic and, above all;

Too often, says the study, they and controlling the company's con-stituent businesses; and supplying those units with a wide range of optional advice and services - for which too few HQs charge fees. These damning findings contra-

dict the widespread view that UK companies are graduating smoothly to a more efficient world of slimline HQs, where everything from infor-mation technology and taxation to pensions and purchasing is "outsourced" to external suppliers.

The two-volume study, which was conducted by the Ashridge Strategic Management Centre* among 107 companies with between 2,000 and 200,000 employees, suggests that some "corporate centres" - the ashionable term for HQs - are costing more than 1 per cent of sales. That often represents more than 10 per cent of pre-tax profits.

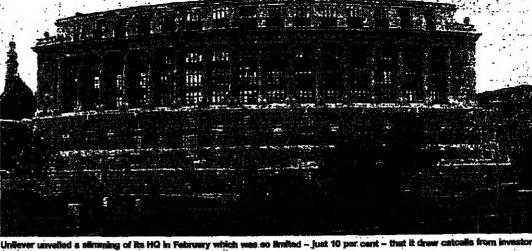
The obvious implication is that

every company - not just large multinationals with HQs costing more than £300m a year - should scrutin-ise carefully the size, scope and operations of its head office.

But HQ reviews should not just concentrate on cost-cutting, emphasise the authors of the report, David Young and Michael Goold. The aim should be much more ambitious: to increase the value which the centre adds to the company as a whole. To do this, they argue, head office activities should be tailored more effectively to the company's particular strategy, structure, business portfolio, and top management style. In most cases that will mean further cutbacks, but in some it will involve an increase.

The Ashridge team's other find-

 That the head offices of financial services companies tend to be three times as large as for consumer or industrial companies. This is partly because most do not distinguish clearly between HQ functions and services to their business That, even after some cutbacks,



are, on average, six times as large as for others. Young and Goold attribute this partly to their tradi-tionally centralised way of operating, but also say that such compa-nies have yet to experience real

external pressure.

That "outsourcing" is less widely practised than all the hype would suggest, although it is certainly increasing, nor has it necessarily led to a reduction in cost.

 That the shifting of corporate centre staff out into operating businesses, or to separate service units, may often be a sensible way of subjecting them to market pressures.

• And that companies should "benchmark" their head offices against others, but only with care. A company with a relatively integrated - or interdependent - set of businesses, similar to Shell, should not try to model itself on one with businesses that share few linkages, such as BTR. The former may need a sizeable head office, the latter a

Surprisingly, only two HQ functions are common to all 107 companies surveyed: financial reporting and control; and company secretarial/legal. Only four others exist in the HQs of over 80 per cent of multibusiness companies: treasury: taxation; pensions/pay administration; and "strategic development" - a term used to cover economic analysis and forecasting, strategic planning, and mergers and acquisitions.

By contrast, less than half the HQs in the survey include such functions as property services, recruitment, industrial relations, research and development, and pur-chasing. Some companies define such activities as lying outside HQ - a variation in definition which limits the survey's value somewhat. The idea that companies need to: increase the value of their head

offices, rather than simply cut costs, is shared by most which have recently slimmed them. But this does not mean that their redesigns

came easily; outside pressure was often required. Nor have many reviews been adequate the first time around.
For instance, ICI cut its HQ a decade ago, only for the numbers to creep up again through the rosy 1980s. The sudden threat of take-over by Hanson in 1991 then prompted the chemical company to split itself into two, and in the process take a more radical look at the role of HQs than it had done before.

Trevor Harrison, who has just retired as head of planning at ICI, agrees that "we ought to understand more about the value a head office adds - I got very interested in that when Hanson was around". The traditional view that "the role of any HQ is to support the board' is no longer adequate, he adds.

Unilever is showing signs of a more rapid bathink in February 3: unveiled a redesign and slimming of its HQ which was so limited - just

10 per cent - that it drew catcalls from investors in the City of London. "One of the less successful aspects was our mismanagement of expectations," admits Michael Fox. who headed the review team.

"I don't believe we've got it right," he adds. Its HQ "will be subject to continual review - none of the posts in it is guaranteed for "it's not a numbers game - it's a question of ensuring that the centre serves the businesses".

Another instance of a company reviewing - and cutting - its HQ several times in quick succession came to light at a conference this month organised jointly by Ashridge and the Strategic Planning Society. Humfrey Smeeton, a direc-tor of Ocean, described what he called the "balls-aching detail" of a two-stage process by which the industrial services group has reduced its head office by more than half, to 62 people, over the past 14 months.

One of the sparks for Ocean was a "ready reckoner" which Ashridge has produced to help companies make quick comparisons between the size of their head offices. It gives different weightings by company size, sector and geographic spread. As Ocean found, it concentrates the mind wonderfully.

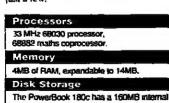
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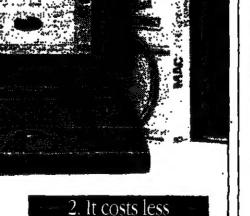
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A belief in the power of reason

Louis Schweitzer tells Kevin Done and John Ridding about the Renault/Volvo debate

ouis Schweitzer, the chairman of Renault, likes to have a sense of direction in his life. It served him well during his rapid rise through the elite ranks of the French civil service - he was chief of staff to Laurent Fabius when he was prime minister in the mid-1980s – and by the middle of last year it had brought him to the top of the French state-owned car group.

But for several weeks he has been left

twisting in the wind as Volvo, Renault's Swedish partner, has been forced to endure a shareholder rebellion which threatens a planned merger between the two groups.

Shareholder resistance has already forced Volvo to postpone a vote on the deal. Investors will now deliver their verdict on December 7.

The merger is one of the most ambitious ever attempted in the auto industry. It would also remove Swedish control of the country's biggest industrial group at a time when the country is already gripped by self-doubt, and is teetering on the edge of joining the European Union.

Schweitzer is a keen theatre-goer, but he refuses to draw any business lessons from his recent attendance of a performance of The Persians - Aeschylus' account of how the Persians invaded Greece only to be humbled and sent

'It is in everyone's best interests that. Volvo should not lose its identity, nor its homebase. That would be crazy, that would not be sound management. You must keep a strong base in Sweden, technically and in manufacturing."

Schweitzer is clear that a no-vote from Volvo's shareholders would not only rule out a full merger but, just as important, it would jeopardise the existing far-reaching alliance between the two groups consummated in January 1991 with the exchange of sizeable

cross-shareholdings.
"If there is a no, it is clear that the momentum that makes people co-operate would be lost. The momentum

(Antaiya Pamukiu

Dokuma Sanayi T.A.Ş.)

would disappear. You cannot work

together without a sense of direction and there would be none," he says. Leaning back in his chair against a backdrop of modern art and model cars Schweitzer still appears at ease in the face of such high stakes. But the challenges of the merger represent unfamiliar territory. The leader of a stateowned industry, he is confronted with a rebellion by small shareholders and institutions. A man of reason, he has become embroiled in an increasingly emotional debate in which he believe the facts have become increasingly

The scale of the opposition from Swedish shareholders has caught Schweitzer by surprise. The debate became rather emotional. It became so loud it was deafening; and the issues were not being addressed."

Schweitzer's response has been to argue his case as dispassionately as sible. In a series of interviews with Swedish television and newspapers and frequent visits to Volvo, the Renault chairman has sought to provide reassurance on the principal points of resistance to the deal: the timetable for privatisation of the merged group, and the French government's retention of a golden share in the new company.

He has emphasised the industrial logic of the deal which he regards as vital for both companies in the face of the increasingly competitive interna-tional automobile industry. Economies of scale, shared buying and R&D expenditure are necessary, he says, to help ease the burdens of new product devel-

Having made his case, he now stands firm. "This is it, it is decision time." he says. "We have presented a fair deal. Feelings sometimes overcome reasoning in a debate; now I hope that reasoning can overcome the emotions."

The emphasis on the power of reason to win an argument reflects his background and education. Like other "enarcs" - graduates of the Ecole Nationale d'Administration, the training



III PERSONAL FILE

Born: Geneva 1942

Educated: Ecole Nationale d'Administration, Paris Academic qualifications: graduated in law; Diploma from l'Institut d'Etudes **Politiques**

Career: 1970: Inspecteur des Finances

1981: chief of staff to Laurent Fablus 1982: Professor at l'Institut d'Etudes Politiques de Paris 1992: Renault's chief executive officer, chairman of the board

ground for the elite of the French gov-ernment service - Schweitzer has a training in logic and debate. "He has an excellent analytical mind," says Pehr Gyllenhammar, Volvo's chairman.

It is not easy, however, for Schweitzer to put his message across. "It is not natural for Renault to go to AB Volvo shareholders. I have no reason to say I know Swedish shareholders better than

Volvo does." If all goes to plan, however, they will become his shareholders from the beginning of January. As head of the industrial operations of the merged company, Schweitzer will be in charge of its day-to-day operations. Later in the year it is due to be privatised.

ut how will a product of the French administration and pub-lic sector industry adjust to the private sector? In particular, how will he deal with restive Swedish sharehold-

Schweitzer is sanguine about the prospect. "It is one of the peculiarities of the French system that this happens," he says, pointing to the experience of Jacques Calvet, the head of rival car builder Peugeot-Citroen, and Michel Pébereau, head of Banque Nationale de Paris which was successfully privatised last month. Both had backgrounds in financial administration.

Moreover, Schweitzer argues that Renault has long been operating as a private sector company. "The real change occurred in 1985 when Georges Besse (then chairman) declared that Renault should aim to become the most profitable European volume carmaker."That was achieved last year," says Schweitzer. "Renault will stay profitable throughout this recession," he claims. "That will be the ultimate test - that in the worst downturn in history we can still make money. I think that is rather commendable.

As for shareholders, even restive Swedish ones, Schweitzer is relaxed. "Obviously there is a difference between having one shareholder or 1.000 shareholders, but management principles remain the same." He argues that sensitive decisions such as those relating to expanding or closing plants will be taken on commercial grounds and would not be put to shareholders.

If the merger does not go through, Schweitzer believes the challenges would be the same, but harder to deal with. "All debates leave scars, and the scars would remain. We would have to turn to limited partnerships with other groups, which could give some solution to the problem of insufficient volumes." He points to the existing collaboration with Peugeot in V6 engines and gear-boxes. "But it wouldn't be as good."

The delays of recent weeks are already a source of irritation. A product of France's fast track, Schweitzer believes in moving quickly. "Speed is of the essence," he said when the merger was announced. A no vote in eight days' time would force him to pull over to the slow lane.

Internationally...

How Dede **Brooks** made a bid for Sotheby's summit

The rise and rise of Diana D. Brooks has reached its only possible summit - this 3-year-old banker, invariably known as Dede, now runs Sotheby's, the world's largest fine art auction house, which next year celebrates 250 years of existence, writes Aptony Thorncroft,

Last week it was announced that she was taking over from Michael Ainslie as president and chief executive officer of Sotheby's Holdings. Only Alfred Taubman, the chairman and chief shareholder, wields more power and his major concern has always been his shopping mall empire. Despite its prestige, Sotheby's is little more than a diversion for Tauhman.

Dede Brooks (top right) cined Sotheby's in 1979 from Citibank. Her skills were first devoted to the financial side in New York and she masterminded the deals which brought to Sotheby's such lucrative estates as the Impressionist pictures of the late Doris Havemeyer. But remorselessly she snapped up the top managerial jobs and only last April was made president and ceo of Sotheby's international auction business.

Since then she has been touring the world, spending much time in London which both for historical and geographical reasons, is vital for Sotheby's future. New York may have replaced London as the main auction centre, but London is the key to Europe; and it is on the continent, as well as in the Far East, that Sotheby's seeks

Her final apotheosis is not expected to limit Dede Brooks' travelling. A tall, lively woman, who somehow manages to enjoy a happy marriage to a venture capitalist and look after two children, she has boundless energy and enthusiasm. She likes to mix freely with her



staff and is totally lacking in side or superiority. Her own art collection is eclectic ranging from antiquities to Latin American art.

Dede Brooks' timing at

reaching the top could prove impeccable. Sotheby's has been hit badly by the recession, and in its nine months' figures for 1993 it was still registering a loss. But recent successful jewels auctions in Switzerland and art sales in New York should ensure a profit in the final quarter of the year. It is a smaller Sotheby's work force that Dede Brooks leads but all the signs are that she will oversee an upturn in its

Sinegal's extensive cut-price philosophy

A mixed reception awaits Jim Sinegal, 57-year-old American founder of the Costco cut-price retailing chain, when he arrives in London today for the opening of Britain's first warehouse club, writes Richard Tomkins. Shoppers may be delighted at the impact he will have on British retailing. Other store chains would sooner he had stayed at home. Doubtless the controvers

is something Sinegal would have preferred to avoid, for as one of the less flamboyant US business executives, he shuns publicity. He is also unusual in extending the cut-price philosophy to his own role in the company: notoriously, his desk is out in the middle of the work area at Costco's Seattle headquarters, separated from the rest of the workspace only by a low divider, and he answers his own phone. His salary is just \$514,547 - a

pittance for the boss of a company with annual sales The low profile notwithstanding, few make

the mistake of under-estimating Sinegal. For 23 years he worked for Sol Price, the man who invented the warehouse club concept when he set up the Price Co chain in 1976. Sinegal looked an upstart when he decided to go his own way and set up Costco in 1983. But Costco emerged as the most successful operator in the field, and earlier this year proved the point by taking over Price Co - though Sinegal, true to form, had the grace to call it a

Attali's soft landing at Banque Arjil

Bernard Attali, the ex-head of Air France, who recently fell from government grace when his austerity plan for the loss-making state carrier provoked a bitter strike, has parachuted comfortably into the job of chairing the supervisory board of Banque Arjil, an investment bank controlled by Jean-Luc Lagardère and his Matra-Hachette conglomerate. writes David Buchan. Attali's arrival at Banque than his departure from Air

Arjil was far more gentlemanly France, and was apparently at the suggestion of the person he is replacing at the investment bank, his old friend, Philippe Camus. The latter decided he could do without the banking job and devote more time to the two more senior posts he occupies in the Lagardère empire director general of Matra-Hachette, and head of the Lagardère group's financial

interested though he may be in finance - he headed the GAN insurance group before going to Air France - Bernard Attali will hardly find the part-time supervisory job at Banque Arjil fully occupying He might therefore find time to write up his airline experiences. After all, instant books run in the family. Twin brother Jacques is rumoured to be hammering away at his memoirs on his ill-starred time in London at the European Bank for Reconstruction and Development.

ANNOUNCEMENT FROM SUMER HOLDING A.Ş.

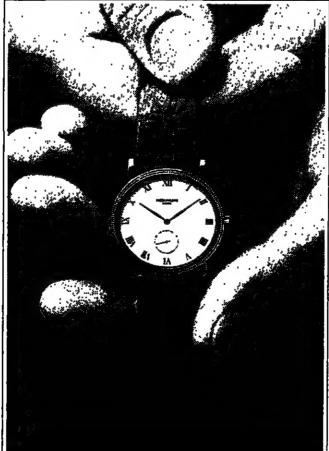
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- 2- The offerors are required to provide an irrevocable, unconditional (payable at first demand) tender bond for an amount of 3.000.000.000 Turkish Liras and valid for a period of at least six months to the below address of the General Directorate. Offers prepared in compliance with the sale specifications should be submitted to the Correspondance Department of Sümer Holding A.S. General Directorate at Çankırı Caddesi No: 2 Ulus/ANKARA, not later than 3 P.M. on January 20, 1994. Delays in post shall not be accepted.
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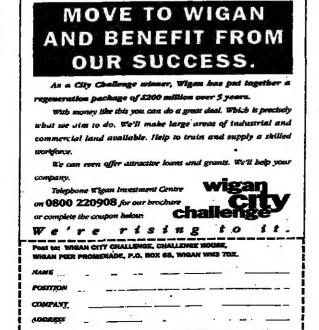


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FINANCIAL TIMES SURVEY

DENMARI

With a 12 per cent unemployment rate, Denmark is seeking to expand its economy by large-scale public works. Its Social Democrat-led coalition is also pledged to keep taxes low and to protect the country's cherished welfare state. Hugh Carnegy reports

Descending with a bump

After a heady year in the international headlines, Denmark is facing grim reality

A referendum in May to accept the Maastricht Treaty creating the European Union, reversing a dramatic initial rejection in June 1992, brought to an end a period in which the country had enjoyed unaccus-tomed levels of attention as it held the future of the community in its hands.

Now, just as Denmark has slipped down the European agenda, so has the issue of Europe been supplanted at home by the more mundane but daunting problems of a faltering economy, an unemployment rate of some 12 per cent of the workforce and the strains these have placed on the country's highly-developed

Nor are more cheerful diversions in view: earlier this month, the Danish football team failed to qualify for next summer's World Cup Finals in the US, shattering the national euphoria which followed its unexpected victory in the European championship a few weeks after the first Maas-

In tune with the change in mood, the four-party coalition of Prime Minister Poul Nyrup Rasmussen, led by his Social Democratic Party, has made growth and "bending down the curve" of unemployment the over-riding aim of the govern

includes the Contre Demo-

cratic Party, the Radical Lib-eral Party and the Christian People's Party, took office in January following the collapse of a Conservative-Liberal coalition led by Mr Poul Schlüter. Mr Schlüter had held together a non-socialist government for 10 years but was finally forced to resign in the face of a scandal over the treatment of a group of Tamil refugees in which he was found by a judicial inquiry to have misled the

holding the presidency of the European Community, Mr Nyrup Rasmussen's initial pri-ority was to ensure the approval of Maastricht in the second referendum, held after Denmark won a series of optouts from the treaty's provisions at the EC's December summit in Edinburgh. But the Social Democrats, many of whose own supporters were anti-Maastricht, had no special enthusiasm for the loftler goals of European Union.

Since the referendum was won, the government has been happy to let slip the issues of institutional reform within the EU, preferring not to return to them in earnest until the next Intergovernmental Conference in 1996. Instead, Mr Nyrup Rasmussen has advocated that the EU concentrate on the issues that are also his chief domestic concern - how to engender growth and tackle unemploy-

At home, the change in government did not produce any

Folketing (parliament). With Denmark at the time

> value of the krone as an anchor that has belped achieve an inflation rate of just over one per cent. Although granted exemption from the goal of European Monetary Union under the Edinburgh accords, the coalition is committed to making the krone a core currency when new arrangements for the European Monetary System are eventually made. in spite of repeated specula-tive buffetings during Europe's currency turbulence of the past year, and some damage to exports, Mr Nyrup Rasmusthe devaluation route taken by Sweden and the UK, two of

Denmark's most important

export markets and competi-

has since fallen relatively little against the D-Mark and interest rates have fallen to their lowest levels in two decades. But the coalition has struck out on a markedly different economic path from its prede-

account surplus and a low bud-get deficit, the government has adopted a policy - at least tem-porarily - of fiscal expansion. In the summer it enacted Denmark's most far-reaching tax reforms for decades, cutting the top rate of income tax over the next five years from 68 per cent to about 63 per cent and the lowest rate from about 51 per cent to 43 per cent. These will be partly financed by "green taxes" on energy, water and packaging. Coupled with a

Backed by a large current

getted on infrastructural pro ects, the measures will inject a projected DKr12bn into the economy next year, equivalent to 1.2 per cent of gross domes-

This will inflate the budget deficit to about six per cent of GDP. But the government estimates it will push up GDP growth to 2.9 per cent in 1994 and start to achieve the target of turning round the relentless rise of unemployment.

At the same time, the coalition has pledged to defend and improve the welfare state, firmly rejecting the opposition argument that Denmark's high benefits and minimum waste levels are a barrier to employment growth. The government's approach has been to set up job-sharing and job-rota-tion schemes and to look to the extension of education and retraining but not to attack not the wage and benefits struc-

"The welfare state gives a don't believe we would be better off with lower benefits," says Ms Karen Jespersen, the

government parties are betting that this approach will be pop-ular with voters and will pay off when the next general election is held, probably in the autumn of 1994.

The Social Democrats in par-ticular have placed their faith in Denmark's traditional consensus around the maintenance of the welfare state. "I think people in Denmark very strongly want the welfare state," says Ms Jespersen. "Of course there is a dilemma when people call for tax cuts. But Danes accept you have to

fare system." A better-than-expected performance by the Social Democrats in this month's local elections was seen within the party as evidence that it is on the right track. But it is facing sharp opposition from the centre-right opposition, spear-headed by the Liberal Party under Mr Ulfe Ellemann Jensen, the flery former foreign

pay taxes to sustain the wel-

government, notably among should be allowed to move to younger voters, overtaking the the east. But we have to accept

polls as the main opposition party. The party made easily the biggest gains in the local elections. The Liberal aim is to achieve a Folketing majority with the Conservatives and the

right-wing Progress Party at the general election. Although clearly wary of stepping outside the "welfare consensus", it insists that the government is ducking vital structural reforms in the economy, has over-estimated its growth projections and risks pitching the country into a financial crisis such as it experienced in the early 1980s. Mr Ellemann Jensen says

the government has not threat to west European competitiveness from Asian economies and more especially from the low-cost emerging economies of central and eastern Europe. Beyond domestic economic policy, he is also sharply critical of the government for not playing a more active role preparing the EU to meet popularity since the change of ing to the east - and they

this calls for. We are reaching the point where the welfare system and the public sector risk tipping the boat."

The second secon

These arguments find a strong echo in the industrial community. Mr Hans Skov Christensen, head of the Federation of Danish Industries, points out that the average wage in Poland of DKr6 per hour is under a 10th of the minimum wage of DKr65 per hour in Denmark. "We have to totally reconsider the system." he insists. "We need more wage flexibility to keep produc-tion here in areas where we are better, we need to improve the service sector and we need much more ambitious research

and development efforts. The signs are that Danish voters will be presented with a sharper choice of policy alternatives than they have been accustomed to when the election comes around. But if the coalition can indeed bend down the unemployment curve next year while sustaining the the electorate is unlikely to prefer the harsher medicine prescribed by the opposition.



TETTE NVESTMEN POSSIBILITIES AREA LOT LIKE THE COASTLINE.

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■ POLITICS

Jobs are the biggest issue

When Mr Poul Nyrup Denmark's prime minister on January 25 this year, his elevation capped a meteoric rise through the political ranks by the former trade union econo-

A member of parisament since only 1988, Mr Nyrup Rasmussen took over at the head of the Social Democratic party in 1992 in a controversial but successful challenge to the eadership of Mr Svend Auken. Within nine months, the resignation of the Conservative-led coalition of Mr Poul Schlüter, which fell after 10 years in office amidst a scandal over the treatment of Tamil refugees, allowed the 49-year-old Mr Nyrup Rasmussen to form his own coalition with the small Radical Liberal, Centre Democrat and Christian Peo-

With the aura more of a technocrat than a politician, he has sometimes seemed ill at ease in the prime ministerial hot seat. But once over the hurdle of last May's second referendum stricht Treaty establishing the European Union, he has waxed in confidence.

In a conversation with the FT, Mr Nyrup Rasmussen discussed the principal political challenge facing his govern-ment - how to tackle the double digit rate of unemployment the Social Democratic pledge to defend and sustain Denmark's highly developed welfare state.

"You should never forget that our unemployment rate is caused firstly by the lowest business cycle comeback we have had for many, many years," he says. "We have not been in such a situation since the end of the 1950s. That is why I say that time is working for the government in that the economic growth rate is coming up now. Our so-called economic wise men evaluate that we will succeed in 1994 in forcing the unemployment curve down again. But it is a very long job. We can force it down in 1994 but it takes years to



sen: at the top after only five years in parliament

A big fiscal stimulus next year and a range of measures such as job rotation and jobsharing have been adopted by the government. But the prime minister firmly rejects the notion that the long term solu-

fundamentally in adult education and training as the way to go. In my mind the debate about competition between the unemployment benefit rate and the minimum wage is not relevant in this country. At the European level, Mr

POUL NYRUP RASMUSSEN, prime minister, outlines the principal objectives of his Social Democrat-led government in an interview with Hugh Carnegy

tion to unemployment lies in radical restructuring of Denmark's labour market, with its high jobless benefits and high minimum wage levels.
"I don't believe a bit in that

argument, for many reasons. One is that it is not well documented that relatively high unemployment benefits have: been a barrier to obtain jobs for the lower pald. I believe

Nyrup Rasmussen talks of a "New Deal" initiative by the EU to increase Europe's commitment to education, research and development and labour flexibility. But, again, he is suspicious of calls for deep,

free market reforms. "There is no connection directly in the different counulation - be it by law, be it by

collective agreements - and the unemployment rate. So when it comes to making the labour market more flexible, it seems difficult to develop a European strategy which covers the significant differences in the different member coun-

well documented single exam-ple of structural problems directly related to regulations on the labour market - but if you take the UK you see that the unemployment rate is very high but the regulation degree is very low. So it is not that

The recent rise in popularity of the Liberal opposition party, which calls for just such struc-tural reforms, has sharpened the domestic political debate in Denmark in recent months. Local elections and opinion polls have suggested a polarisation of support around the Social Democrats on the one hand, and the Liberals, led by the energetic Mr Uffe Elleman Jensen, the former foreign

minister, on the other. If the trend hardened it could lead to the marginalisation of the handful of small parties that have traditionally held the balance of power in Denmark - and could deprive the Social Democrats of vital coalition support. Mr Nyrup Rasmussen is therefore keen to stress the merits of Denmark's

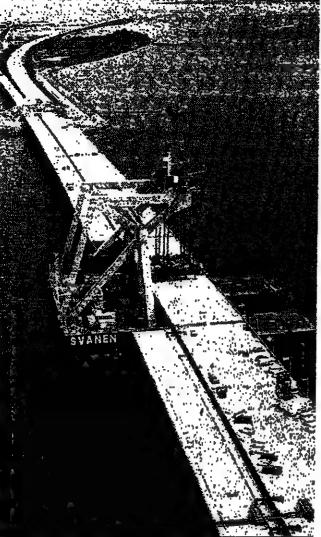
consensus tradition. "This trend is not preferable because the tradition here is to have a plurality of political parties. So I would regard it as a serious loss in political life if this trend became stronger. We have always based ourselves upon talking together and lis-tening together. This country was the first country of all - in September 1899 - to create a consensus on the labour market, with the first independent labour court, with the first place where you establish collective agreements. This country still has the lowest potential conflict degree in the labour market. It is an inbuilt tries between the degree of reg- factor in the explanation of our



Hugh Carnegy describes the scope of Europe's biggest bridge building programme

Roads over northern waters





Completing the Storeback West Bridge on May 26, 1993

ithough Denmark is a small country, its land peninsula has always meant that any non-air journey between the main centres required at least one ferry crossing. By the end of the decade, however, that will

Within the next four years DKr20bn project to build a bridge and tunnel between the is set to be completed, providing for the first time a direct road and rail link between the capital Copenhagen and the country's other main centres such as Odense, Esbjerg, Arbus and Aalbore.

When construction began in 1988 of the link across the 18km-wide Storebaelt, or Great Belt, channel, the then minister of transport, Mr H. P. Clausen, summed up its signifi-cance: "We will have a completely new Denmark with the fixed link across Storebaelt. We shall no longer speak of east and west Denmark, but of Denmark as a whole. This project will be more significant the population of Denmark and the business sector than any other traffic project has

But Storebaelt is only the first step in a series of huge bridge/tunnel projects planned by Denmark to transform its transport links both internally and to its neighbours.

if outstanding political obstacles are overcome, construction will begin next year on the hagen to the Swedish city of

the project.

The joint Swedish-Danish nel and bridge link is due to invite construction tenders Swedish side, the Centre party, which holds the environment continuing to object chiefly on environmental grounds, despite support for the project from the coalition leaders, the Moderate party, and the main

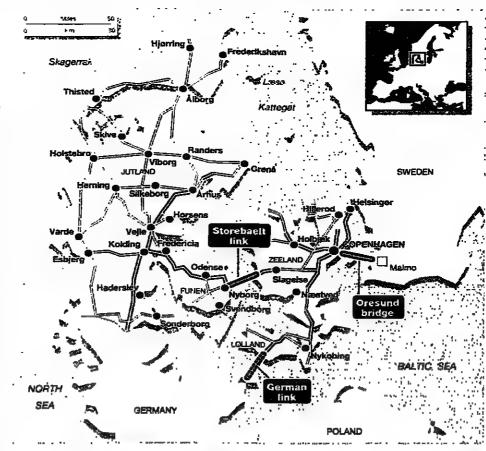
In Denmark, the Radical Lib eral party is objecting on the project is unlikely to be met by the planned method of repay ment. The budgeted cost of the link is DKr17bn, including DKr12bn for the tunnel and bridge. DKr3bn in land costs on the Danish side and DKr2bn

on the Swedish side. The consortium concedes that these costs are likely to rise by up to DKr700m as a result of construction strictures demanded by Sweden's Water Rights Court this month to ensure the environmental ised, particularly on the sensitive subject of impeding vital salt water flows into the already badly polluted Baltic.

scheduled to come from DKr300m a year shared by the Danish and Swedish state railways and the rest to be reised in vehicle tolls. But the project's backers have run into something of a Catch-22. Their financial plans rely on a rather modest estimate of 10,000 vehicle crossings per day.

More vehicle crossings would raise the toll income, but the two governments are under pressure not to break international undertakings on exhaust emissions by allowing excessive traffic on the bridge.

Mr Henning Hummelmose the chief executive of the Oresund company, nevertheless believes the project will go "I think we have reached the point of no return. I don't think that the environmental questions or the financial questions can stop the project. So much political presmust go through."





energy and other "green'

loss by 1998, when the reform

The government expects the

boost to demand to lead to a

surge in real private consump-

tion by almost 4 per cent and a 2.9 per cent increase in GDP

next year. Other forecasters

are more cautious, but agree

that demand will rise signifi-

will be fully implemented.

he government and private forecasters are in agreement that in 1994 nomic growth after seven ears of near-stagnation, culminating with a year of zero or perhaps even negative

growth in 1993. As regards the longer term. however, the views of the government and the business com-

munity diverge. In a recently-published medium-term outlook, the government foresees an average annual increase in gross domestic product between 1995 and 2000 of 3.3 per cent, with private sector production increasing even faster, at about four per cent a year.

A.P. Moller, the discreetly-run, strangely-structured shipping group that is Denmark's big gest business concern, has this year undergone a change in chief executive for only the second time in its near 90 year

On the eve of his 80th birthday in July, Mr Maersk Mc-Kinney Moller stepped aside from the day-to-day running of the group founded in 1904 and headed until the 1960s by his father, the late Mr A.P. Moller, Into his shoes stepped Mr Jess Soderberg, 49, who assumed the task of leading an

enterprise with total annual turnover of some DKr50bn across a range of busines spanning shipping, shipbuilding, oil and gas, air transport and retailing.

But although the chief executive is no longer a member of the controlling family, few people inside or outside the Moller empire expect dramatic shifts to follow the change at the top. "Although the skipper has changed, there has been no change in the crew and we remain on the same heading. said a Moller executive unable o resist a seafaring metaphor. Indeed, Mr Mc-Kinney Moller has not left the scene. He remains chairman of the

But the business community fears that a return to growth doesn't si em to see the struc tural problems, but we do," said Mr Hans Skov Christensen, the director-general of the Federation of Danish Industries, who suspects, too, that European recovery will have a different character than previ-

ous post-war recoveries. Demand will strengthen in West Europe, but much of the increase in production which this generates will take place in East Europe, where wage costs are only about one tenth,

or less, of wage costs in countries such as Denmark. "We

see," he said.

international boom we used to

However, Denmark, says the government, has a better starting point for sustained, non-inflationary growth than most other European countries. It has a surplus on trade in goods and services which is almost seven per cent of GDP (not even Japan can beat that) and a surplus on the current balance of payments account

og in the middle distance

Malmö. Discussions have also

begun with Germany and Sweden on building a fixed link

from the south eastern Danish

island of Lolland, across the

Once in place, the Oresund

bridge will, in concert with

Storebaelt, give Sweden a direct land link for the first

time, not just to Denmark, but

continental Europe. This link

would be made even quicker and more direct by a Feman

bridge. Denmark expects a sig-

nificant boost to its economy

from its own improved links

and from increased through-

Storebaelt has slipped about

one year behind schedule

chiefly because of problems

encountered while tunnelling.

But the rail link, which will

run for most of the crossing in

the tunnel, is due to open by

1996. The road link is sched-

uled to open a year later, run-

ning across a two-stage bridge

single suspension bridge span of 1,624 metres.

The DKr20bn cost has been

raised by the state-owned Sto-

rebackt company through inter-

national markets, backed by

state guarantees. It will be paid

for by a commitment from the

state railways to pay DKr825m

a year for 30 years to use the

Much greater controversy

and uncertainty surrounds the

Oregund link. Although the

Danish and Swedish govern-

ments signed a treaty to build

it in 1991, minority parties in

in office have raised objections,

Economic optimism is very tentative, writes Hilary Barnes

link and from vehicle tolls.

Femarn straits, to Germany.

Inflation is the lowest in Europe at just 1.2 per cent over the 12 months to September. Hourly wage rates have increased by only about two per cent this year, and after the trauma of speculative attacks on the krone in the spring and again in July this year, which forced the Central Bank to raise interest rates sharply, interest rates are rap-

of just over three per cent of idly coming down to average

ropean levels again. Government finances are in deficit, showing the effects of the long recession and high unemployment, but the general government financial deficit this year will be about 4.4 per cent of GDP, which is below the average for the EU.

The strong external position is being exploited by the gov-ernment to give a substantial boost to domestic demand via

Mogens Lykketoft, the finance minister, estimates that the stimulus to GDP growth from fiscal policy will be about 1.3

per cent. The fiscal boost will come more particularly from a reform of the tex system, passed by the Folketing last summer. This reduces the country's exceptionally high marginal income tax rates (the

Moller has also recently

ordered six 300,000-tonne dou-

ble-hulled tankers, three of

which have already been built,

from Odense. These were the

cash in on new marine regula-

tions on "environmentally-

friendly" tankers that are

designed to be resistant to

Moller which increasingly

underpins group profitability is

the oil and gas division, which

last year produced profits of

DKr808m on turnover of

DKr3.3bn. The group has a 39

per cent share in Danish

Underground Consortium, the

sole operator of Denmark's

North Sea oil and gas. This

year DUC signed a contract

with the state to double gas

term," said a Copenhagen analyst. "That is the cash cow."

Hugh Carnegy

However, the element in A.P.

Ецгоре.

puncture.

cantly. The industries Federation, for example, predicts a GDP growth of 2.5 per cent and increase in private contop rate will go down from 68 sumption of 3.0 per cent. The upswing will generate a few extra jobs, but neither the onshore services, including government nor other forecontainer trains in the US and casters expect unemployment to fall by more than about

returned to building and oper-ating VLCC (very large crude carrier) oil tankers. It has sonally adjusted), this autumn. Mr Lykketoft's medium-term report emphasises that after 1994 fiscal policy must switch to containing the government first of their type to be built in the world as Moller seeks to deficit in order to ensure a sustained low real rate of interest, a necessary condition of obtaining strong growth in the business sector.

20,000 to around 330,000 from

350 000, or 12.5 per cent (sea-

In the same report, Mr Lykketoft's ministry asserts that marginal changes in minimum wage levels and the country 's high unemployment benefits (benefit is 90 per cent of wages up to a ceiling which is 90 per

to about 62 per cent and the bottom rate from 51 to 43 per cent of the average wage for skilled workers) will not have a significant effect on demand income tax will not be clawed for labour, and drastic back in 1994, although higher a society of the Danish kin taxes will equalise the revenue

as Mr Lykketoft told the FT. For Mr Skov Christensen. however, what is at stake is not the social welfare system. "This has to do with survival." he said. Without action on minimum wages, the steady increase in transfer incomes (between 24 and 25 per cent of

Drastic changes to the benefits system would not be popular in a welfare state like Denmark

the population aged 16-66 live off transfer incomes now) will both undermine government finances and export-competi-

The Danish Employer's Association, the sister organisation to the Federation of Industries, put some figures on what it regards as neces-sary if more jobs are to be generated for the less skilled population groups. The generous transfer incomes - such as unemployment benefits which currently place a floor on the hourly wage rate of DKr67, must be reduced to that the minimum wage can

fall to DKr50, it said. At that level, the Danish minimum wage would be just

A rare change of command D/S Svendborg and D/S 1912 (both controlled by the Moller

Profile: A. P. MOLLER, Denmark's top company, has a new boss

family) and the boards of key companies within the group. " will stay informed ... I will often be in this building, although in another office," he told staff at Moller's Copenhagen headquarters when he handed over to Mr Soderberg. Analysts in Copenhagen seem reassured by Mr Mc-Kinney Moller's move, anticipat-ing a smooth transition under Mr Soderberg, formerly chief financial officer. Furthermore,

a reputation for being well managed has helped deflect investor concern over the complex and arcane structure of the Moller group, and its reluctance to speak publicly about Although the parent companies, with a market value of some DKr40bn, together make up about one quarter of the

market capitalisation of the

Copenhagen stock exchange,

the A.P. Moller group, with



ersk Mc-Kirney Moller: founder's son bows out at 80

30,000 employees, does not publish consolidated accounts. This is because of its structure under which A.P. Moller itself is an unlisted partnership.

kept to a minimum the information they must publish by avoiding share issues which would require a detailed pro-spectus. In the 89-year history of the group, the only issue by

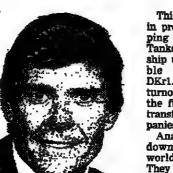


The parent companies have



Jess Soderberg, 49, only the third

health".



the parent companies was a bonus issue in 1973. But there is no arguing with

the share performance. They have surged by some 50 per cent this year, with D/S Svend-borg B shares fetching a cool DKr170,000 each. The market's judgment is clearly that A.P. Moller's businesses are, in the words of an analyst, "in good

This is despite a nasty slide in profits in 1992 in the shipping business. The dominant Tankers and Liners in Partnership unit saw net profits tum-ble to DKr1.05bn from DKr1.5bn, on slightly reduced turnover of DKr19.5bn - and the figures were worse after transfers from the parent companies were excluded.

Analysts put most of this down to weakness in the worldwide shipping market. They believe Moller's evolution over the past 15 years into the world's leading container carrier will pay off when the cycle turns up again.

Moller has continued to invest heavily throughout the recession, this year ordering five ships from its own Odense Steel Shipyard capable of carrving 4.800 standard 20-ft containers. It has established a number of "hub" container terminals around the world allowing it to develop an integrated north-south and east-west route network with extensive

deliveries to 7bn cubic metres a year from 1997. "Forty per cent of Moller profits will come from oil and gas in the long

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■ Profile: PETER ZOBEL, a power in the insurance industry

Architect of a new structure

The Danish insurance industry lowing the mess which Baltica is undergoing a process of recovery after the shocks of 1992, when the country's second largest insurance group, Hafnia, collapsed and the largest group, Baltica, came close to suffering the same fate.

The man who has emerged as the architect of the restructuring of the industry is Mr Peter Zobel, chief executive of Codan, a company founded by Mr Zobel's family but in which the UK's Sun Alliance is now the dominant shareholder.

Undaunted by the fact that Hafnia was twice the size of Codan, Mr Zobel made a successful bid for Hafnia in March this year, turning Codan into

In the face of widespread doubts among insurers, he urged higher premiums - and up they went

the country's largest accident insurance group (Baltica remains larger in life assur-

A few months later he put his stamp on the industry once more by announcing that premiums throughout the industry were far too low. Codan, he said, would be putting them up by an average of 15 per cent in

The other large companies several of which had recently promised the public that they were not even dreaming about premium increases, all agreed within days that Mr Zobel was

They are following Codan's example. For many years Codan has enjoyed the best profitability in the Danish industry, but it was first foland Hafnia made of their businesses that Mr Zobel was able to stamp his mark on the industry.

Baltica and Hafnia were both brought to their knees by a series of investments which turned out to be unwise and cripplingly expensive. In Hafnia's case, strategic share investments in Baltica itself and Sweden's big insurer, Skandia, caused the problems. When the price of the shares in these two companies collapsed in 1992 Hafnia Holding, the group's parent company, was

Property investments were the straws which broke Baltica's back, but while Hafnia Holding was bankrupted and the insurance operations taken over by Codan, Baltica was successfully reconstructed. Its insurance business, which as such has never been in trouble, has continued as before under new management headed by Mr Hans Eivind Hansen, formerly co-chief executive at Den Danske Bank.

Codan's excellent profits record was based on the principle that profits, are more important than market shares: it left others to grow poorer by fulfilling their ambitions to become the higgest. Codan led a comfortable existence and its shareholders were well

We didn't have to do it," said Mr Zohel, reflecting on the acquisition of Hafnia, "but when you have the money available you have to take the chance. After all, if you don't use the money you have, you might as well shut up shop. Having bought Hafnia, Codan was not forced to undertake the merger of the two

companies, but there were good reasons for undertaking the merger, according to Mr Zobel

There are cost reductions to be made (a staff reduction of about 10 per cent is under way) and the companies have similar customer profiles and strategies, even if there was a profitability gap.

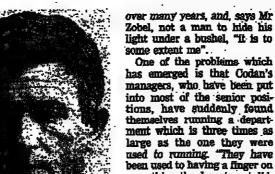
The starting point for the two companies was this: in total premium income (life and accident) Codan's was DKr2.1bn to Hamia's Dkr5.1bn; Codan had 1,069 staff to Hafnia's 2,452; but Codan's equity capital was DKr4.8bn to Hafnia's DKr66m. Together, the assets of the

group are about DKr50bn and its market share is 15 per cent in accident business, 21 per cent in industrial insurance (70 per cent in marine and energy), and 12 per cent in life assurance and pension savings. Mr Zobel's aim is to make the two companies into a single business, both inwardly and outwardly, within one year, which means by the summer of 1994, creating a firm in which profitability and financial soundness have priority.

Zobal took over a company twice his own firm's size and now heads Denmark's largest accident insurance group

Mr Zobel, 57, does not waste words. He speaks in short, crisp sentences, a manner which does nothing to belie his reputation as a tough cookie, who does not suffer foois, let alone incompetent managers,

Codan is known for a strong The deliberation and speed team spirit, an image built up



with which he is carrying through the merger only reinforce this reputation.

All the main management and personnel were in their new positions in the organisa tion within four months of the acquisition. In the final months of 1993 the superfluous members of the staff were being identified, conversion of the computer systems was under way, the staff associations (trade unions) were being reorganised to fit the new corporate structure.

In the first half of 1994 new products will be introduced. the conversion of the data processing systems is due for completion and increases in premi-ums will be implemented. The reorganisation may not

have been simple, but, says Mr Zobel, it is nothing compared with the difficulty of eliminattag the cultural differences and the them-and-us syndrome - "a hell of a problem," he says-

Hilary Barnes

Hilary Barnes: how the banks weathered the storm

Seven lean years

The Danish banks have come through a seven year recession intact and, in contrast to the situation in the other Nordic countries, the state has not had to provide either capital or guarantees to keep the hanking sector affoat.

The reasons, said Mr Kund selves running a depart-Sorensen, chief executive of the country's largest bank, Den Danske Bank, who is also chairman of the Danish Banker's Association, is sound legislation and a very thorough everything the department did, and they have yet to realise you can't run a bigger departbank inspectorate. "Compared with what happened in Norway, Sweden and Finland, nt in the same way," said an anonymous manager from the Hafnia side of the firm. Danish hanks have fared very er from well indeed," he said.

But in a country which still In the end the success of the equisition and merger will has about 180 banks and have to be judged by long-term results. This year has been a savings banks (many of them tiny) to serve 5.1m people, doz-ens of banks have closed oversonably satisfactory year for the insurance companies. the past 10 years. In most cases the process has been fairly painless. Other banks which, with bond and share prices rising strongly, made excellent returns on their have taken over banks whose capital adequacy has fallen below the legal minimum financial investments, but the substantial "insurance-technical" losses of recent years have (nine per cent currently, falling to eight per cent in 1995). Depositors (covered by an insurance scheme for deposits of up to DKr250,000) have not

> toe many risks. We will do a lot out of responsibility to society, but there is a limit."

> Whether this limit has been definitively reached is something which only time can tell, and the matter may not be put to serious test in the immediate future as this year has favoured the banks, which suffered a combined loss of DKr10.9bn in 1992. Rising bond and share prices have boosted investment income. and cost cutting and lower interest rates have contribut to better operating margins.
> All the big banks, Danske,
> Unibank, Bikuhen and Jyske

> Bank, were back in the black in the first half. "The present

not that bad. We look forward with some optimism to 1994 and 1998 should be a fairly

good year," said Mr Sorense

The difficulty of rescuing

troubled banks was high-

lighted this autumn by the

small bank serving the North

Judand town of Hobro, where

it had a market share of around 40 per cent. The bank

case of Himmerlandsb

Mr Zobel is hoping to turn the corner in 1994, when premiums will go up. Some loss of market shares as Codan's proflost their money, although in itability is re-established will several cases shareholders not disturb him. By 1995, he have. "The banking commu hopes that the group's results nity takes pride in finding will be satisfactory. direct state aid," said Mr

The market seems to share Mr Zobel's optimism. Coden's Sorensen. But resistance by healthy banks to saving their share price was maintained. weaker brethren is growing. indeed increased slightly, following the acquisition of the "After a number of years loss-making and impoverished Hafnia and the Codan share when we have had to set aside considerable sums to cover losses, willingness and caparemains the most expensive of the insurance shares listed on bility to assist is rather limited," said Mr Sorensen. "We the Copenhagen Stock have reached a stage where it

is hard to justify to your own shareholders, staff and cus-tomers that you have to sup-port banks which have taken

collapsed. Shareholders and bondholders lost their money, but the bank was enabled to keep going when it was taken over by Sparekassen Nordiylland (Spar Nord), the North Juliand savings bank, after some hard persuasion by the

government. Spar Nord believes it received a promise from the government that in return for preventing the closure of Himmeriand, Spar Nord-could make a tax loss deduction of DKi773m. But when muck-raking politicians began questionhig the legality of the deduction, the government denied having made the promise.

The case came close to costing the minister for revenue, Mr Ole Stavad, a Social Democrat, his job, and it may yet do so. A judicial inquiry has been set up to look into the misunderstanding and Mr Stavad's political life is on the line. films alam has been estail of trying to save itself by selling bonds in the bank with money lent to its customers for the purpose, and without the risks being properly explained to investors.

As a consequence, the gov-ernment has tabled legislation which will make it illegal for a bank, from the moment that a

offer to finance investment in the bonds. With many banks needing to replace bond-financed subordinated (tier 2) capital with new loans in order to meet the requirements of BIS capital adequacy rules, the events at Himmer-landsbanken and the political reaction to it have come at a

bad moment for the banks. "Right now is not the best climate in which to raise capital," said Mr Scrensen. But things will calm down again. One should not draw the conclusion from Himmerlandsban ken that other banks will not be able to refinance."

Meanwhile, attempts are being made to find a solution to a problem at Varde Bank, which serves the west coast port of Eshjerg, the country's 19th largest bank with assets of about DKr11bn. Despite a capital restructuring in 1992, when the Central Bank and a consortium of larger banks guaranteed the bank's capital and liquidity, the bank's capital adequacy ratio has slipped below the legal minimum again and action to save the bank is imminent.

"I can only say that we shall try to adopt the most sensible solution," said Mr Sorensen.

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| Total GDP (libri) | 142.4 | 0.3 |
| Heat GUP growin (%) | | 0.0 |
| GDP per capita (\$) | 27,552 | TURK |
| Private consemption | 52.0 | |
| Total investment | 15.2 | |
| Government consumption | 25.2 | n.s. |
| Exports and a second control of the second s | 37.0 | 11-06- |
| Imports. | 29.4 | |
| - 1 The particular before being a registration registration property and particular part | 2201 | |
| Consumer prices (% change) | -21 | 1.2 |
| Unemployment (% of lab force) | 11.3 | . 12.1 |
| Reserves minus gold (95n) | 11.0 | 10.0 |
| 3 month money rate (%) | 11.4 | E-1 |
| 10 year bond yield (%) | 9.0 | 6.5 |
| FT-A index (% change on year) | -26.0 | +33.5 |
| | | |
| Current account belence (Stri) Exports (Stri) Imports (Stri) | .4.7 | . 4.2 |
| Exports (Shr) | 40.6 | n.s. |
| Imports (Sbr) | 38,4 | n.e. |
| Trade belance (5bn) | 7.2 | . D.C. |
| 041100417000000000000000000000000000000 | | |
| Mein tracing pertners (1992, %) | Exports | . Imports |
| Germany | 23.6 | 23.1 |
| Sweden | 10.5 | 10.8 |
| UK | 10.1 | 8.2 |
| EC., | 52.4 | 53.4 |
| EFTA | 21.6 | 22.4 |
| <u> </u> | ' | |

forecasts for year, consumer prices, unemployment, reserves

SOURCE: IMF, Datastream, Economist intelligence Unit

Exports stumble after five years of growth

September: Interest rabse - 25/11/93:

FT-A index - % change from 1/1/93 to 25/11/93).

Currency crossfire

atypical, year for Danish exporters. Since a squeeze was put on domestic demand in 1986, exports have shown exemplary growth, increasing by 5 - 6 per cent a year until this year, when they have fallen by about seven per cent in value and 4 - 5 per cent in

volume terms. The Danes were suddenly rendered uncompetitive in some of their main markets by devaluations last year by European countries accounting in all for about 36 per cent of the country's merchandise exports. At the same time, the German market, which accounts for about 24 per cent of Denmark's merchandise exports, went into recession.

The Swedish krona has depreciated by 26 per cent against the Danish krone over the past year. Sweden accounted in 1992 for 10.6 per cent of Denmark's merchandise exports. In the first half of this year exports to Sweden fell by 16 per cent. Exports to the UK, account-

ing for about nine per cent of 1992 exports, were down by 18 per cent, although sterling has recovered most of its value against the krone since the autumn of 1992.

The trade-weighted value of the krone this winter is back to the level of summer 1992, before the European Monetary System was rocked by currency speculation, but the statistical average is small consolation for those who export to Sweden or compete with her in third markets.

However, voices calling for devaluation have been few and far between and they received no support from the leading business organisations or from either the government or the

decade after 1982, when a Conservative led sovernment took office after a long period of Social Democratic domination, proving that it is committed to low inflation and a stable cur-

When the European Monetary System to all intents and purposes collapsed in August this year, the government sought to avoid a significant depreciation of the krone. The Central Bank maintained the

Devaluations in Europe last year hurt Denmark badly in its main markets

average value of the krone unchanged against the Ecu. and after an initial weakening against the D-mark, with the exchange rate going from DKr3.88 to 4.14, the krone has strengthened again recently to a rate of around DKr3.96.

Danish exports are geographically concentrated on neighbouring markets, with some 75 per cent going to EC and Efta countries. In products terms, manufactures are about 75 per cent of merchandise exports and agricultural exports for about 18 per cent. But the food industry is more important than figures suggest.

With fish, processed fish products, sugar, and machin-ery, equipment and other inputs for the food industry (and not forgetting farmed mink pelts, where Denmark is a world leader), the total food and agricultural sector accounts for well over a quarter of the country's exports. The EU's agricultural policy

reforms and the Gatt reforms

(not yet agreed, of course) will-

hit agriculture hard, cutting

the value of agricultural production by about 10 per cent, according to Danish govern-ment calculations.

Dairy exports will be hit especially badly, but pigmeat is one of the products which will suffer least from the reforms, which is a Danish advantage pigmeat accounts for about eight per cent of total exports and 45 per cent of agricultural exports.

Despite the troubled future for agriculture in the medium term, there is no inclination on the part of the government or the agro-industrial sector itself to write off the agricultural and food industries. On the contrary, a report this autumn by the Ministry for Business Policy Coordination identified the food and food technology industries as one of the segments in which Denmark has a 🦿 strong competitive advantage with an accumulated know-

A report to the government by the Institute for Food Studies and Agro-industrial Development in 1992 claimed that the value of agro-industrial production could be doubled over the next 20 years. .

While the government does not necessarily accept the report's conclusions, it has shown its commitment to the agro-industrial industries through the Food Industry Technology research programme. Government and industry on a 50-50 basis together put about DKr800m into the programme over the period 1990-94 and plan to invest DKribn over the next five years in stage two of the programme, which is by far the largest Danish government-funded programme of its type.

Hilary Barnes





Colin Amery reviews three further finalists for the FT's architecture prize to be awarded today

A field of the highest quality

e are almost there. Tomor-row's FT will pub-lish the name of this year's winner of the Financial Times Architecture Award. He or she will receive Britain's most independent and highly regarded architectural prize at a luncheon in London today. The long period of judging and visiting is over and there will be an opportunity in tomorrow's paper for an assessment of the significance of the award and of the state of architecture in Britain today.

Previous articles have looked at five of the eight shortlisted schemes: Stansted Airport and Cranfield Library by Sir Norman Foster and Partners; and Bracken House, Schlumberger Research and Bedfont Lakes (IBM) Business Park by Mich-ael Hopkins and Partners. The remaining three schemes on the shortlist represent three very different types of building. The Queen's Stand at Epsom Racecourse by Richard Horden Associates; the new car park in Chichester by Birds Portchmouth and Russum; and Winchester City offices designed by the Hampshire

County Architects department.
Epsom clearly needed an elegant new stand that could comfortably house the crowds on Derby day as well as provide a centre for functions and entertainments throughout the year. The choice of Richard Horden and Associates as architects

London Contemporary

Dance Theatre a

decade ago, Darshan

Singh Bhuller has been identi-

fled with dancing that is mer-

curial, brilliant and varied in

dynamics. In Richard Alston's

The Perilous Night, his solo

helps point to the future of

London Contemporary Dance,

as Alston will become director

of the troupe when it mutates

next year. The piece shows

why there is much to hope for

from him. Of the five new

works seen on Rosebery Avenue thus far in this LDC see-

son - one more to come next

week - The Pertious Night is

The piece uses John Cage's

exercise for prepared plano of

the same name. Alston's

response to the nervous drive

and gamelan claugours of

Cage's score is a study in noc-

turnal alarms. Bhuller, in

pyjama bottoms, vest, dark

glasses (not a modish acces-

sory but a symbol of night

itself), is impelled through a

sequence of dream - and possi-

the most important.



Modern and vernacular, a wall of glass brings natural light into Winch

was a brave one. The practice is known for its structural and engineering expertise and its experimental approach to building technology. The cli-ent, United Racecourses, has, by choosing a radical approach that is both refined and practical, acquired a new stand that is the acme of contemporary

The problem of new buildings in England's cathedral cities has been tackled in two very distinctive and different

Contemporary Dance/Clement Crisp

Buoyant Bhuller

vey, with unfalling resource, the physical imprint of unease. His body opens out, turns in on

itself, builds long phrases of action that reach their culmi-nation in a pose which seems

to reverberate in response to

the piano's sounds. The variety

and imaginative richness of

the dance is very fine, and no

less finely exposed by Bhaller,

who can shape a span of move-ment, or fragment it through a

vivid shifts of timing and

accent. The solo is as memora-

ble as Alston's earlier Soda

Lake. It is excellently lit by

Peter Mumibral Cage's score is

grandly performed by Nicolas Mojslejenko. Lei it please be

Nothing else in this pro-

gramme can stand close exami-

nation. Bhuller's choreography

for Fall Like Rain is a tease.

There are three couples, not

radiantly happy, and a gluti-

nous jazz score by John

Martyn. Bhuiler appears, on wires, as Yadahoati, king of

the sky and of rain in the

chester. Both cities have mixed reputations when it comes to new architecture, but it is fair to say that both places take great care about any additions to their ancient fabric.

Winchester has a county architects department that is one of the most distinguished in the country. Under the direction of Colin Stansfield-Hampshire has acquired a high reputation, particularly for its new schools and other educational buildings. The site of the new

the mortals, are visually fasci-

nating: there is a dance-piece

to be made from the contrast

between aerialism and earth-

bound movement, but this is

not it. For reasons I fail to

grasp, monsoon rain falis -

real water, in torrents. Every-

one gets very wet, and the

dance, such as it is, looks

bedraggled. Gene Kelly never had that problem.

Christopher Bruce's Waiting

has to do with the release of

Nelson Mandela from prison.

The corrugated iron walls of a

township serve as drums for the cast, who also roll motor-car tyres over the stage. The ever-admirable Kenneth Tharp

dances magnificently, giving

the pieties of the choreography

real urgency. Mandela, in the

person of the singer Kwame

mind the dance; feel the pre-

London Contemporary Dance

season continues at Sadler's

Kwei-Armah, appears, Neve

dictabilities.

pied by the architects' department, is a typical, tight Winchester street, but one that had been spoiled in earlier days by the erection of a large multistorey car park. The new offices try to be both modern and vernacular, adopting a tra-ditional pitched roofline but lighting the offices through a completely glazed wall. This gives it the appearance of rking in an atrium, except that it has a remarkable view

over the city. An agreeable

courtyard garden designed around an existing tree is another feature of the scheme. adding to its overall picturesque qualities. The pavement passed close to one side of the new block and this facade has been enlivened by the presence of specially commissioned stained glass windows.

Chichester had a problem. The city is keen on traffic management and car parking is a crucial element of any traffic scheme. The decision to build a large, new multi-storey car park on the edge of the city centre but outside the old city walls was a controversial one. Chichester decided to commission a relatively unknown young practice. Birds Portchmouth and Russum, and the resulting building is extraordi-

nary in many ways.

The architects decided not to diminish the scale of the whole operation but to make the car park look like a new set of city defences. The length of the building is broken up by the fat, circular staircase towers which are built of perforated brick work. Once you have parked your car the journey from the car park into the city centre takes you on a series of high level pedestrian bridges from which you can view the ancient town.

Even in these recessionary years the quality of the best of British architecture is very high. Choosing a winner for the FT award will not be easy.

Concert/Richard Fairman

Bartoli triumphs again

II around the world there must be musiclovers discovering a fondness for "arie antiche" that they never knew they had. The simple, catchy. innocuous little tunes of Scar latti and Caccini. Cesti and Caldara could be on countless pairs of lips as Cecilia Bartoli's popularity grows ever wider.

Anybody who frequents

vocal recitals knows these songs. They are the ones that come at the beginning of the programme, before the singer has warmed up, and then get forgotten. At least they used to be. Bartoli, in her desire to sing Italian songs which are right for her voice and her sense of style, has adopted them as ideal material lavishing upon them all her very considerable art. Suddenly they seem trifles no longer.

ner Wigmore Hall recital on Friday, accompanied by György Fischer, was devoted to "arie antiche". There is a secret to singing these miniatures. If they are to be treated as the Italian equivalent of artsongs, then every subtle inflexion and change of colour must sound as if it was only thought about the moment before. Bartoli, with youth on her side (she is still in her 20s), makes them as fresh as if the ink was still wet on the page.

The expressive colours in this mezzo voice are ravishing. Most of the time we hear it in comedy, but an aria from Vivaldi's Bajazet showed it can be turned no less winningly to pathos. At the end somebody near the front called for this item to be repeated as an encore and it was just as mov-

Almost all the first half of ing the second time round, are Wigmore Hall recital on Some delightful songs by Mozart and Bellini in the second half were sung with the same degree of imagination, though by this point one might have been feeling the need for something stronger.

That was supplied with the aria Qui la Voce from Bellini's I puritani - usually for soprano, but performed here as adapted by the composer for the mezzo Maria Malibran, To bel canto, as to everything else, Bartoli brings her own personality, singing off the words in the aria, shaping the cabaletta for limpid beauty, when she of all singers might have chosen to dazzle us with her speed and agility. A move by Cecilia Bartoli into the operas of Bellini and Donizetti would be a fascinating pros-

Theatre in Edinburgh/Alastair Macaulay

Master Builder avoids the Scottish tendency

National Theatre's most recent Lear and the RSC's award-winning Titus Andronicus has returned to Edinburgh's Royal Lyceum as leading actor and co-director of Ibsen's The Master Builder.

Cox, who started his career it the Lyceum, is not one of those Scots who disregards refined playing in favour of a Scottish slant, sometimes called "Glaswegian vulgarity". His Master Builder, played with Scottish accents but set in Norway, is a splendid example to Edinburgh theatre of how to avoid the excesses of this

In a Lyceum programme interview, Cox speaks of his training at Lamda ("I came from Dundee so Glasgow was as alien a place to me as London was") and says that he "can't stand nationalism". Later this season Bill Paterson, a more overtly Scottish actor also acclaimed for his London stage work, returns to the Lyceum in Bulgakov's A Mongrei's Heart. It would be splen-did if, in a later season, the Lyceum could bring Cox back in a maior Shakespeare role -Anthony (and Cleopatra), Timon, Othello or, most obviously, "the Scottish play".

sity: a beautiful performance.) It is plain that Hilde Wangel away; she is the least Scottish

Cox uses ten silent young apprentices to "frame" the pro-duction. They function as part of Solness's workforce, as town spectators, and to help move cenery. One in particular stands still, looking out at us, before each act. He, and they, stand for many things: the child that Solness once was,

the children Solness and his

wife lost, the youthfulness Solby. Clever, but actually too intrusive in a play whose symbolism and ambiguities are already prominent.

In this production those meanings and ambiguities are vivid. Ibsen embodies, at the same time, the Romanticism of the early 19th century (Solness forever bursting against the confines of home and marriage), the naturalism and symbolism of the late 19th century the social realism of the work-

Cox dominates this production as Halvard Solness, the master builder, showing him as a working man who has raised himself by driving ambition and industry; he uses his bullish, neckless, physical power and vocal force to show this master builder as an ageing, domineering dynamo. (Morag Hood plays his wife as an altogether more cultivated and delicate Edinburgh type, smiling nobly through adver-(Siri Neal), who arrives to change his life, comes from far

cumulative drama. Neal, an

place: Solness and Hilde building their idealistic "castles in



Brian Cox and Siri Neal

the air"), and the psychological investigations of the early 30th. Tom Piper has designed sets that economically and handsomely suggest the play's spires and aerial castles, its utilitarian domestic architecture, its Nordic light and dark, its Puritan simplicity, its recesses and distances.

Cox strikingly combines visceral force with intellectual refinement. However, as in some of his recent London performances, he forces so much volume and impact from certain lines that they break the

altogether less mighty performer, is slightly too arch a Hilde, nor does she have all the character's heartless impulsiveness, but she keeps keenly alive the gist and detail of every scene. The Lyceum's previous pro-

duction was Kenny Ireland's staging of A Midsummer Night's Dream. I caught it at the end of its transfer run in Glasgow. Ireland is developing a real repertory company here: it was good to see some of the same actors who had been in his Recruiting Officer earlier this autumn. Few of them. however, know how to combine clear verse-speaking with naturalism; and Ireland added an unnecessary layer of tricksiness by placing an echo around the fairies' voices. Rae Smith's scenery helped them to achieve some wonderful instant disappearing acts, but everything was an awkward mixture of staginess and superficiality until the Pyramus and Thisbe scene, which worked like

(excuse the pun) a dream. At the Traverse, Sue Glover's Bondagers, a hit of the 1991 season, has been revived. A beautiful play, it movingly does honour to a vanished part of Scottish social history: the female agricultural labourers (bondagers) who, in the last farm to farm within a small radius. No man appears; the cast consists of six women.

(ian Brown directs.) The finest parts of the play are the virtually plotless body of its first half, and the ending. The story that wells up between these sections - a tale of sexual abuse, a mentally defective girl, rape, murder or accidental death, and punishment - is certainly affecting but relatively obvious. But the lyricism of the outer scenes is haunting: I love the way that the rhythms and spacings of agricultural work are caught, and the intimacies and tensions of female colloquy. Here Scottish acting, Scottish theatre. Scottish history are all admirably interwoven.

The Master Builder continues at the Lyceum until December 11: 031-229-9697, Bondagers runs at the Traverse until December 19: 031-208-1404

Wells until Saturday. Pro-Hindu pantheon, who can foresee destiny. His interventions, gramming varies. No perfor-Gene Kelly was never like this: 'Fall Like Rain' looks bedraggled bly waking - states that con- swinging over the stage, swim-

Docklands Sinfonietta

wo nights after the BBC Symphony played Szymanowski and Lutoslawski superbly at Maida Vale, both composers reappeared in the Docklands Sinfonietta's programme in the Queen Elizabeth Hall (also live on Radio 3). Szymanowski's Songs of a Fairutale Princess came from the same rapturous-exotic period and they, too, keep their soloist up in the stratosphere; he wrote them for his sister, who must have been a remarkably

So, fortunately, is Rileen Hulse, who warbled and floated through them on Friday to enchanting effect. They out the memorable times. will never be in the repertoire of many sopranos, for it is a rare voice that is both at home

Still hearing them at all is an unusual pleasure; Miss Hulse made it so, and Sian Edwards conducted with delion those heights and has enough succulent tone to fill cacy and insight. I was less out the luscious swoops of the music. It is a little unfair to sure about Lutoslawski's recent, delightful song-cycle hear them so soon after the Chantefleurs et Chantefables, glorious Concerto, for they on children's poems by Robert Desnos. Miss Hulse, who was share its heady atmosphere -

not quite so rich, for here the replacing an indisposed singer orchestral part is transcribed at short notice, sounded well in from the pizno original - withcommand of the subtle, furny verses, and the conductor cap tured the gaits of Desnos's fauna (grasshopper, tortoise, alligator) wittily - yet the set sounded "careful", without the criso bite that all Lutoslawski music should have.

One more rehearsal might have got it. Two more were needed for Roussel's rackety Petite Suite: there were trum-

pet problems, and a dearth of irony and elegance. By the end of the concert, however, the Sinfonietta had found its proper form, and delivered Haydn's Symphony no. 60, "Il Distratto", with all due alertness and verve. Haydn's score stemmed from some theatremusic; Edwards and her players warmed to that, and it all

David Murray

Spousors: Morgan Stanley,

assured high soprano.

INTERNATIONAL

BERLIN

CONCERTS Schauspielhaus Tonight: Bruno Leonardo Galber plays Beethoven's First Piano Concerto with Berlin Symphony Orchestra. Sun, next Mon and Tues: Michael Schoenwandt conducts Elgar, Lalo and Mozart, with cello soloist Gustav Ravinius (2090 2156) Philharmonie Tomorrow: Jörg Faarber conducts Württemberg Chamber Orchestra in trumpet concertos by Handel, Vivaidi and Telemann, with soloist Maurice Andre. Fri, Sat, Sun morning: Claudio Abbado conducts Berlin Philharmonic Orchestra in opening programme of this season's Faust series, including Wagner's Faust overture and a Kurtag world premiere, plus Beethoven's Fifth Plano Concerto with Murray Pershia. Perahia and Abbado give further concerts together on Dec 8, 9, 10, 14, 15 and 16 (2548 8132)

OPERA/DANCE Komische Oper Tonight: Harry Kupfer's production of Les Contes

d'Hoffmann. Wed; Flemming Flindt's ballet The Three Musketeers. Thurs: Yakov Kreizberg conducts orchestral works by Mozart and Shostakovich, with plano soloist Elisabeth Leonskeja. Sun: Carmen (229 2555) Deutsche Oper Tomorrow and Fri: L'Italiana in Algeri with Jennifer Larmore, Wed: Il trovatore. Thurs and Sun: Tosca with Galina Kalinina and Richard Margison. Sat: Peter Schaufuss' production of Sleeping Beauty. Dec 19: new production of Un ballo in maschera (341 0249) Staatsoper unter den Linden Wed and Sun: Der Freischutz. Thurs and Sat: Minkus' ballet Don Quixote. Fri: Giselle. Dec 10: Cecilia Bartofi song recital. Dec 12: Daniel Barenboim conducts first night of Harry Kupfer's new production of Die Walküre (200 4762/2035 4494)

■ NEW YORK

OPERA/DANCE Metropolitan Opera The main event this week is the premiere on Thurs of a new production of Verdi's I Lombardi, conducted by James Levine, staged by Mark Lamos and designed by John Conklin, with a cast led by Luciano Pavarotti, Aprile Millo and Samuel Ramey (repeated Dec 6, 11, 14, 17, 21, Jan 7, 12, 15, 20). This week's repertory also includes Rusalka, La boheme, Madama Butterfly and Fidelio (362

6000) State Theater New York City Opera has a four-week run of Balanchine's version of The Nutcracker, starting Wed. Daily except Mon, matinee and evening performances on Sat and Sun. No performances Dec 24 and 25 (870 5570)

Joyce Theater Toronto Dance Theatre is in residence from tomorrow till Sun. Next week: Elko and Koma. Dec 14-Jan 2: American Indian Dance Theatre (242 0800)

Avery Fisher Half Tomorrow: Franz er-Most conducts New York Philharmonic Orchestra in works by Richard Strauss and Franz Schmidt. Thurs, Fri, Sat, next Tues: Kurt Masur conducts Brahms and Mendelssohn. Sun atternoon: Itzhak Periman (875 5030) Carnegie Hall Thurs: Oscar Peterson. Sun afternoon: Kent

Composers Orchestra in works by Golijov, Adams and Hindemith (247 Alice Tully Half Fri: André Watts and friends play chamber music Sun afternoon: Ursula Oppens and Arditti Quartet play Gubaidulina, Birtwistle and Ligeti (875 5050)

Nagano conducts American

JAZZ/CABARET Blue Note Kool and the Gang are in residence from Tues to Sat this

week and next, music at 9pm and 11.30pm (131 West 3rd St, 475 Village Vanguard Wynton Marsalis Sextet begins a two-week residency tomorrow (178 Seventh St South, 255 4037)

Algonquin Hotel Westa Whitfield, one of the most desured jazz-cabaret voices to arrive in New York in recent years, is in residence till Jan 1 in the Oak Room. At 9pm daily except Sun and Mon (59 West 44th St, 840 6800) Michael's Pub Eddie Blx and Bing: a musical revue saluting the music

of Eddie Lang, Bix Belderbecke and Bing Crosby, daily from Tues till Sat at 9pm and 11pm. Woody Allen's Dixieland lazz band holds forth most Mondays at 8.45pm (211 East 55th St. 758 2272) Cartyle Hotel Bobby Short is in Café Carlyle for the Christmas season. Singer-pianist Barbara Carroll is in Bernelmans Bar Madison Ave and 76th St, 744 Rainbow Room A Laonard

Bernstein revue is playing till Jan 1 (65th floor, GE Building, 30 Rockefeller Plaza, 632 5000)

 Angels in America: Tony Kushner's epic two-part drama about religion, sex, Aids and corrupt politics - conjures a vision of America at the edge of disaster. Part one, Millenium Approaches, has now been joined by its sequel. Perestroika (Walter Karr, 219 West

A8th St. 239 (200)

■ The Kentucky Cycle: Robert Schenkkan's 1992 Pulitzer Prize-wirming drama follows 200 years in the life of a mining family in Appelachia and is performed in two parts (Royale, 242 West 45th St, 239 6200) Cyrano: a musical based on Edmond Rostand's classic love story. This production, with Dutch

actor Bill van Dijk in the title role, originated in Amsterdam (Neil Simon, 250 West 52nd St, 307 4100) She Loves Me: the 1963 Bock, Hernick and Masteroff musical directed by Scott Ellis - a delicate, unabashedly simple story with all the humanity, integrity and charm that Broadway's glitz-laden mega-musicals lack (Brooks

Atkinson, 256 West 47th St, 307

 Arry Given Day: a drama by Frank Gilroy about a Bronx family who face turning points in the 1940s (Longacre, 220 West 48th St, 239) How to Write a Play: a loosely

Ludiam, about a man who must either write a play or lose the grant money given to his theatre (Ridiculous Theatrical Company, One Sheridan Square, at West 4th St and Seventh Ave, 691 2271)

Kiss of the Spider Woman: the Kander and Ebb musical, based on the novel by Manuel Puig about two men in a South American prison. Directed by Harold Prince (Broadhurst, 235 West 44th St, 239

autobiographical farce by Charles

5200) The Sisters Rosensweig: Wendy Wasserstein's play, a comedy with serious undertones, about the reunion in London of three American Jewish sisters (Ethel Barrymore, 243 West 47th St, 239 6200)

PARIS

DANCE/OPERA Palais Garnier Ballet de l'Opéra de Paris has revived its 1992 production of Picasso et la Danse, featuring choreographies by Nijinska, Roland Petit and Massins. Daily except Monday till December 8

(4742 5371)
Centre Pompidou Bill T. Jones/
Arrie Zane Dance Company is in residence this week, daily except tornorrow (4478 1315) Opéra Bastille Myung-Whun Chung conducts Bob Wilson's new production of Madama Butterfly

tomorrow, Thurs and Sat, next Mon, Wed and Fri. Diana Soviero and Valentina Sedipova atternate in the title role. Offenbach's Les brigands opens on Fri for a run of 19 performances till Jan 12 (4473 1300) Théâtre des Champs-Elysées A new production of Lully's Roland (1685), conducted by René Jacobs and staged by Gilbert Deflo, can be seen tomorrow, Thurs, Sat, next Tues and Wed. The title role is sung by José van Dam (4952 5050)

CONCERTS Théâtre des Champs-Elysées Tonight Brigitte Engerer piano recital. Wed: Anatol Ugorski piano recital. Fri: Charles Dutoit conducts Orchestre National de France in works by Berlioz and Liszt, with plano soloist Jean-Philippe Collard. Sun morning: Plerre Amoyal and Mikhail Rudy play violin sonatas. Sun and next Mon: Seiii Ozawa conducts Boston Symphony Orchestra and Choir of French Radio in two Berlioz programmes (4952)

Châtelet Tonight Nikolaus Harnoncourt conducts Chamber Orchestra of Europe in Beethoven's Violin Concerto (Gidon Kremer) and Third Symphony (4028 2840) Salie Pleyel Dec 8, 9: Lutoslawski conducts Lutoslawski. Dec 15, 16, 17: Solti conducts Beethoven (4561

JAZZ/CABARET American blues singer Linda Hopkins is in residence for the next two weeks at Lionel Hampton Jazz Club. Daily except Sun, music from 10.30pm (Hotel Meridlen Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042)

ARTS GUIDE

Monday: Berlin, New York Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington. Wednesday: France, Germany, Scandinavia. Thursday: Italy, Spain, Athens, London, Prague. Friday: Exhibitions Guide.

European Cable and Satellite Business TV (All times are Central European Time) MONDAY TO THURSDAY Super Channel: European

Business Today 0730; 2230 Monday Super Channel: West of Moscow 1230. Super Channel: Financial Times Reports 0630 Wednesday Super Channel: Financial Times Reports 2130 Thursday Sky News: Financial Times Reports 2030; 0130 Friday Super Channel: Furopean Business Today 0730; 2230 Sky News: Financial Times Reports 0530
Saturday Super Channet:
Financial Times Reports

Sky News: West of Moscow 1130; 2230 Sunday Super Channel: West of Moscow 1830 Super Channel: Financia Times Reports 1900 Sky News: West of Moscow 0230; 0530 Sky News: Financial Times Reports 1330; 2030

Samuel Brittan

Misguided UK Anti-Brussels fire



seems no good in Britattacked by British ministers both when it is wrong and

when it is right. The widely reported strictures made by Kenneth Clarke, the British chancellor, on Community documents at a finance ministers' meeting in Brussels a week ago today, is a case in point.

Ministers had in front of them at least two separate economic documents. One was a Note on the Economic Elements of the White Paper" that the Community president, Jacones Delors, will be presenting at the forthcoming EC summit, but which will fortunately not be binding. The second was a draft "framework for the Broad Economic Policy Guidelines" required under the multilateral surveillance clauses of the Maastricht Treaty.

The White Paper draft deserves all the invective of which Mr Clarke is capable, and more. Indeed Jacques Delors himself seemed to a few of those present to be distanc-ing himself from it. Some peohave divined behind the thick fog of its prose a call for compulsory shorter hours. That is the least of its faults. The document has all the hallmarks of the Social Affairs Directorate. Its prose is Eurospeak at its very worst and it is difficult to imagine in what language (if any) it was origi-nally written.

There is no diagnosis of the causes of unemployment and no meaningful policy prescription. An example is paragraph five: "Our intuition, backed by the renewed dynamism shown by the European economies from 1985 to 1990, is that Europeans can conceive a model of development in line with their traditions, preserving their social model while adapting it, fully integrating technological progress and the environment, offering to all the prospect of

Indeed the authors throw in every worthy development of which they can think, such as "the accelerating pace of the information-technology industry, the audio-visual sector and biotechnology" - the modern equivalents of the traditional American invocation of moth-

erhood and apple pie. the original guidelines called The subtext is of course for an average increase in real clearer. The authors would like to defend all the most unfortunate European institutions per annum less than the rise in productivity. This is as near DG2 could go in embracing the (miscalled "social") such as minimum wages, the enforce notion of pricing people into work. An implication of the ment of nationwide collective bargaining agreements, heavy overhead employment expenses and labour market so too explicitly, they try to be all things to all men. By contrast, the Economic

Guidelines - obviously drawn up by the DG2 directorate were as different from the White Paper as chalk from

Only in the context of wider interest rate cuts can UK fiscal restraint be offset

cheese. The original draft called for a reduction of two to three percentage points in average Community short-term interest rates, with the lead taken by Germany. This would signal to economic agents that the worst is over, that monetary policy had been loos-ened as much as it was possible and that nothing would be gained by further postponing any investment decisions which may have been contingent on the availability of the best financing conditions." I would have preferred some justification for these figures which could easily have been given in the context of an objective for a non-inflationary growth path for nominal GDP. But they are somewhere in the right ball park.

Unfortunately Germany, the Netherlands and the UK managed to get this suggestion removed from the final draft in doing so the British chancel-

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he tanks of shiny new tractors unveiled at the Royal Smithfield agricultural show in London today would cause more than a glint of envy in Mr Peter Swift's eye. Mr Swift, a Lancashire vege-

table and cereal farmer, has watched neighbouring produc-ers on large arable farms enjoying a bonanza year; many of them have seen their incomes rise faster than the average for all farmers last year. But Mr Swift faced the prospect of losing his 92-acre holding this summer when mounting debts meant he was unable to hire help for the swede harvest. In the end, two friends helped him at week-

lor has scored an own goal. For

it is only in the context of

European or worldwide inter-

est rate reductions that the

restrictive effect of British liscal tightening can be offset without taking the irresponsi-

ble risks with sterling that a

British dash for ultra cheap

On the labour market front,

wages of one percentage point

guideline would be a trend rise

in the share of profits in the

The suggestion was however

too much for the ministers

tion to the historical statement

that such moderation in real

wage gains had occurred in

1982-89. The one area where the

ministers firmed up the guide-

lines was the insertion of an

explicit inflation target of two

to three per cent per annum by

1996, a magnificent victory in

The headline controversies

were about the Commission's

original target of at least 15m

ment by the year 2000. Obvi-ously this is an aspiration: the

red meat is in the policy pro-

posals (and of course in purely

market-generated changes). Still, in the words of the poet

Robert Browning, "a man's

reach should exceed his

grasp." But even the aspiration

was too much for ministers

who watered it down to a

The whole episode raises the wider question of the minimal-

ist British attitude to the Euro-

pean Monetary Institute which

starts work this coming Janu-ary in Frankfurt. The work of

this Institute offers the best

hope of a concerted European

monetary policy designed to

not-so-distant future could be

far more important for the out-

look for production and jobs

than the parochial detail of the

UK Budget. But has anyone so

support non-inflationary growth; and its efforts in the

numerical illustration .

money would entail

"I'm not ashamed to say I've been living on charity for six months," he says. Far from investing in new machinery, he does not own a tractor and is rushing to harvest his crons to curb hire costs. He has only stayed in business because of a sympathetic bank manager, he

In contrast, Mr Adrian Peck,

who farms 1,000 acres in Cam-

bridgeshire - the grain belt of Britain where farms are large the TIK - has just hought a new tractor. He has been able to take advantage of a boost to his income caused by the 20 per cent devaluation last year of the "green pound" which is used to translate prices set by the European Union into ster ling. In total, British farmers are an estimated £135m better off this year thanks to the devaluation. Mr Swift receives little support from Brussels not covered by the European Common Agricultural Policy. He is left victim to the vagaries

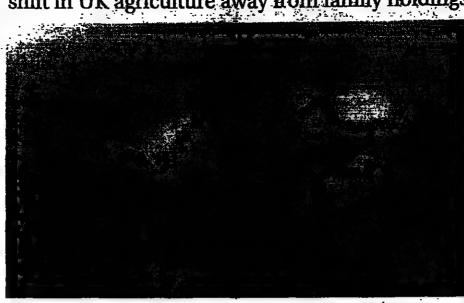
of the free market. Such mixed fortunes highlight the shift that is taking place in agriculture in the UE away from traditional, small, family holdings. Competition is intensifying as world prices for European Union-supported

prices in particular.
But while the larger farmers may be enjoying a breathing ers are set to increase. Additional reforms of CAP are likely to cut subsidies even further and a possible new General Agreement on Tariffs and Trade would step up competi-

Together European agriculture ministers have agreed that EU farmers should be exposed increasingly to the free market and the impact of

Furrowed brows look to lean years

Deborah Hargreaves and Alison Maitland on the shift in UK agriculture away from family holdings



Hard times down on the farm: Peter Swift faced the loss of his 92-acre holding this summer

mism is patchy. Not all sectors

are feeling the effects of deval-

uation. And particularly pessimistic are smaller factors who have not been protected so

much by the CAP, even though

the scheme was originally supposed to help them.

Mr Swift sees little hope for farmers like him: "There is no

future for a family farm like

ours - we're only just surviv-ing. I'm not really making a

living. I'm just paying bills." He, and other small farmers.

are increasingly looking to find

Mr John Kari, a pig farmer

from Kent, says he is selling

his animais at 90p a kilo when

it costs him £1 a kilo to rear

them. Pork prices are not sup-

ported under the CAP. "We are

tightening our helts, but we

can't go on in that situation for

Smaller farmers are facing pressure to diversity into lea-

part-time employment.

long " he save.

So far, however, the effects have been softened in the UK by the devaluation of the green pound, which has increased cereal prices and boosted payments under the controversial grain farmers to grow less. Mr Peck hopes to receive a cheque soon from the government for close to £13,500 for leaving 150 acres of his land lying fallow this year.

Some of the farmers receiving compensation payment are rich landowners - a fact that particularly galls Mr Swift. Unlike almost any other form of state income support, agricultural aid is not means

UK farmers have been helped further by low interest rates and the 40 per cent tax allowance on farm equipment that the government announced in the March Bud-get and which lasted until the end of last month. Sales of tractors - regarded as an important indicator of farmers fortunes - were up 30 per cent in the 10 months to the end of October after record-low sales last year. But they are still only about half the level of 10

sure or tourist facilities. "It is years ago.
The National Farmers' Union part of a general pattern; the expects the continuing impact large farms are getting bigger and the family farms are being squeezed to look for alternative of devaluation will result in growth in average farm incomes this year exceeding last year's 23.6 per cent income," says Mr David Lloyd-Jones who runs holiday cotincrease, thanks to the contintages on his mixed livestock ued impact of sterling's devalu-ation in the first half. But opti-

farm in Wales. Among the farm industry as whole there is a few that the larger operators will not long escape such gloom and that the good times currently being njoyed will soon turn into lean years.

Last year's CAP reforms were designed to be neutral for the European farmer on an average income; compensation payments would be made for three years to counteract the planned falls in prices. But Mr Sean Rickard, the NFU's chief economist; says Britain's arable farms are larger than the European average and tend to grow more grain per acre. Compensation payments will not offset the price falls. Sepa-rately, in the next few years, once the effects of devaluation have worn off, payments for set-eside are likely to fall short

of revenues foregoing. Moreover, after the three years covered by the current CAP reforms, many farmers.

believe support prices will be believe support prices will be reduced again. A Gait agreement would also have the effect of cutting EU support prices even further, bringing many close to world levels.

Mr Peck fears that he and his large-farmer counterparts will have to reckon with competition from hig farmers from the example. Australia and the

for example, Australia and the US. He points to wheat farms in Australia which are on average twice as big as his and more highly mechanised: "how could we in Britain compete with that - we'd have to dig up the countryside," he argues.

r Malcolm McAllister, managing director of Booker farms directly or advises on the management of 45,000 acres "in England and Scotland, says a Gatt agreement would squeeze less efficient producers and hasten the concentration

of farming. Farming will move to areas. of natural advantage - our best farms in East Anglia are world-competitive cereal producers. But if you're a struggling Cumbrian wheat grower you will give up. That shift is already happening but the CAP reform and a Gatt deal will hasten it," he says.

Faced with these mounting

pressures, many farmers believe that the short-term gains they are enjoying offer a limited chance to pay off some debt and invest in equipment or land. This is an opportupity for farmers to re-group and restructure, making them better able to withstand the effects of the Gatt when it comes," said Mr David Naish.

president of the NFU. There are signs that some producers are already heeding his advice. Farm debt levels in England and Wales peaked at 26.6bn in August 1991 according to the Midland Bank, dropping to 25.8bn by October this year. Yet a survey published today by Adas, the govern-ment's farm advisory service, suggests that investment by farmers, though rising this year, is in long-term decline; sales of farm machinery are 84 per cent lower than in 1988.

Farmers are notorious for tunes. But at least for the larger farmers, the bonanza they are currently enjoying means there is little excuse for not taking action to secure their future against the uncer-tainties of increased competition in years ahead. That, though, will be little consola-tion for the small players such

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

deficit by borrowing

From M C Kennedy.

Sir, Stephen Bell of Morgan.

Grenfell could hardly put the case better when he writes had recession leads to a loss of industrial capacity and to more unemployable labour (Letters, November 25)

Why then does he call for ssive increases in taxation and/or reductions in public expenditure" to close the bodget deficit? He must surely know that such "massive" measures will lead to a correspondingly "massive" worsen-ing of the recession, to more unemployment and to further losses of industrial capacity. Samuel Brittan, in a series o articles, has been correct in repeatedly questioning the seriousness of the budget deficit and in warning against

panic over its size.

The best way of handling the deficit in present condition to go on borrowing. We have already seen from the experience of this year that this can be done without the rise in interest rates (and fall in

More generally, fiscal action should always be undertaken with a view to its effects on the economy - on inflation, employment and industry. Fellow, University of Manchester.

security prices) which some people in the City are so fear-ful of.

53 Kingston Road, Manchester M20 2SB

Face up to | Take the trade deal on table

could cartainly be bettered.

From Str Devik Thomas. Sir, Your leader, Trade talks (November 25), rightly underlines the urgency of resolving the outstanding issues in the Uruguay Round before the December 15 deadline and goes on to deplore the new problems which the OS is introducing at this late stage. But, characteristically, you left out one area which is of great importance for the European

Throughout the Round, the UK has pressed for an outcome which would advance the interests of service providers in the UK and the rest of Europe. We would not pretend that this aim has yet been fully met. The commitments of many of our trading partners

But the Urugusy Round is more a staging post than a final destination. A worthwhile initial package of commitments certainly is now within reach and there is a framework of clear, internationally-accepted rules as a basis for more liberalisation in the future. Some of our pariners fail to recognise this, and still seek a perfect outcome in their particular sector, at the risk of losing the benefits of the whole. This is short-sighted

Surely the world's economic leaders must now secure the gains already within sight by pushing the Round to a suc-cessful conclusion. What is on

we must not lose it. The alternative is a return to the protectionist tit-for-but of the 1930s which, even without the world's present state of instability, would not beer contenplation.

To argue the services case in terms of a glass half full or half empty is to miss the point. The point for services is that for the first time there is now a glass on the table that will hold water for the future. Let's for goodness sake pick it up. Derek Thomas,

liberalisation of trade in Services committee of British Windsor House 39 King Street

Trade and service mark options

From Mr Robert A Hurst. Sir, Although I was pleased to read Robert Rice's report on he simplified". November 19) to the effect that the long-awaited Trade Marks Bill is to be introduced in the current parlia-mentary session, I should like to draw your attention to two slight errors.

Queen's Speech was too late to influence the choice of location for the European Trade Marks Office, which (it was decided at the EU summit at the end of October) is to be located in Spain. Loudon has accordingly missed the boat.

First, I am afraid that the

cation of the Madrid protocol for the registration of interna-

tional trade marks through the medium of the World Intellectual Property Organisation

(WIPO) is independent of the EU Directive of December 1988, which merely instructs member states to harmonise their local trade mark laws. By 1995, companies will have the option of applying for three alternative forms of trade or service mark:

a. In the UK, under the new Trude Marks Act. h Internationally, through the medium of WIPO in Geneva. c. in Europe, through the medium of the Community Trade Mark Office in Alicante. Robert A Hurst. D J Freeman, solicitors, 43 Fetter Lane,

London EC4A INA

Distinction From Mr David Bennington.

Sir, The price of the FT is worth it for the articles by your excellent TV critic, Christopher Dunkley, alone. In "Up with sex, down with violence" (November 24), he. correctly shows the proper distinction and encourages those of us who would like to see more freedom of expression on TV for the things we enjoy (like sex) while deploring the depiction of aggressive and violent behaviour.

Those in continental Europe seem to understand the differ ence – why not we British? David Bennington, 29 Morford Way, Ruisiip,

Assumptions on benefits of UK forestry privatisation flawed now takes a lead in promoting

From Mr John James. Sir. Your article "The Future of the Forests" (November 23) suggests that privatisation of the Forestry Commission has some merit, particularly in addressing the commission's current shortcomings. But it makes two fundamental assumptions which need to be

First, the commission has already made headway on the issues of hidden environmental costs, bureaucracy and unful-filled recreational potential for which it is criticised. Progress towards quantifying and defining the costs of environmental through the new special management grant and the community woodland supplement for tree planting. The reorganisation of the commission last year has helped to improve its effectiveness and the fact that the commission's forests receive 50m visits per year indicates it fulfils its recreational potential very well

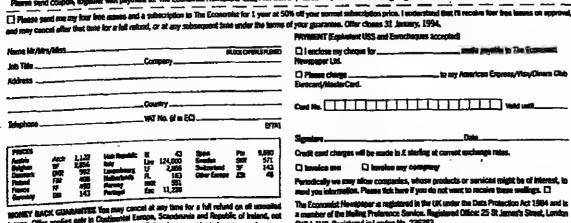
Second, and much more importantly, there is an assumption that privatisation could protect non-economic benefits. The role of the commission has changed out of all recognition since the 1970s when timber production at all

multi-purpose forestry - integrating access, landscape and wildlife conservation with timber production in its own forests and as a regulatory authority for felling and planting. This change has been hard won and like many other organisations the Woodland Trust wants to see the status quo retained, consolidated and given a chance to work. Private interests have yet to show whole-hearted enthusiasm for guarding access and conserva-tion interests even when incentives are available. -

We have major concerns that benefits has been made costs was its watchword. It the estimated £35m-£40m Lincolushire NGH all

annual public subsidy which would be needed for private landowners to maintain the commission's current environmental management standards would not be forthcoming in the current climate on public spending. Voluntary bodies like ourselves would be left with an impossible task in trying to protect woodlands of major environmental significance. John James chief executive The Woodland Trust,

Autumn Park, Dusant Road,



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FINANCIAL TIMES

Number One-Southwark Bridge, London SEI 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Monday November 29 1993

Talking to the IRA

Northern Ireland, at an honourable price, should support Mr John Major today. The prime min-ister has been charged with duplicity, on the ground that his government has sanctioned secret contacts with the Irish Republican Army in spite of its frequent pro-testations that it would never negotiate with terrorists.

This is a setback for those who believe that governments must at all times behave like boy scouts, but the alternative would have been worse. Public deal-making with Sinn Fein, the political wing of the IRA, could not be counte nanced by a democratically elected British administration unless the bombers of Warrington and the Shankill Road turned convincingly away from violence.

Yet a refusal to keep open unofficial lines of communication would have denied the government the chance to make its own position plain, and to take note of any peace proposals coming from the other side.

The Israelis spent some time in secret conclave with the Palestine Liberation Organisation before emerging in public with their recent deal. Mr Major has not gone nearly as far as that, nor could he even if he wanted to: unlike Israel, he is not in the business of trading territory for peace.

Constitutional future British policy is clear. If the IRA

lays down its arms, and an unspecified period of "quarantine" has d, Sinn Fein can join talks about the constitutional future of Northern Ireland, Relations with the republic of Ireland will be discussed with Dublin. Any proposals arising from such talks would have to be endorsed by the voters of Northern Ireland. The unionists would therefore retain their veto on any plan to move towards a united ireland - a point Mr Major again needs to make plain today. Republicans would have to persuade them to change their minds, The IRA is thus invited to abandon its campaign of violence and to rely on Shin Fein's recentry to the political process. It can show whether its talk of peace has any substance by picking up that invitation today.

Mr Major, who has placed himself at the head of a drive to seek a political settlement of the trou-

bles, has behaved with courage, and a sense of responsibility. Certainly, as an FT report shows today, his peace initiative is in tune with business opinion in Ulster. It also reflects the feelings of most ordinary people. The prime minister aims to take advantage of a tide of popular feelin favour of peace, while not abandoning the unionists and their right of veto. He is therefore standing by his Northern Ireland secretary, Sir Patrick Mayhew, who has no reason to resign. The latter has said that the documents relating to back-door communications with the IRA will be published today. It must be presumed these will confirm that the long-standing and oft-repeated government promise to the Unionists, that the people of Northern Ireland will be able to determine their own future, will be seen to

Limit the damage

Northern Ireland being what it

have been respected.

is, this will not satisfy everyone. The cries of "betrayal" from the Reverend Ian Paisley's Democratic Unionists are routine; the more measured response from Mr Molyneaux's larger unionist party suggests that it may be possible to limit the damage to the prime minister's peace initiative. It is often remarked that the government depends on unionist votes to shore up its uncertain parliamentary majority, but, against that, the unionists depend on the continuance in office of the Conservatives. To Ulster ears, Labour sounds pro-republican. A greater danger ties on the right wing of Mr Major's own party, where prounionist speeches have recently been made by Lord Tebbit and the former chancellor, Mr Norman Lamont. Initial reactions to the weekend's news, notably from Mr Lamont, suggest that the damage may be containable.

With luck, and skill in handling the house of commons. Mr Major and Sir Patrick should be able to weather today's political storm. Assuming that they do, there should be no heattation in pressing on with the peace initiative. The next step for the prime minis-ter will be to confirm the date for his planned summit meeting with Mr Albert Reynolds, the Irish prime minister. Fridey would not be too soon.

A mega-bond for London

The rage Londoners feel over the unreliability, inadequacy and squalor of their city's transport system last week reached boiling point. A power black-out trapped tens of thousands of passengers in London Underground's tunnels. Many more were left waiting for buses or delayed in traffic jams.

Others stayed at home. If last week's chaos was a freak event, it could be forgiven. But it is merely the latest in the catalogue of misery that Londoners have to endure almost daily. If they travel underground, they face packed carriages, out-of-order escalators and cancellations. If they travel by road, they are often

delayed in traffic. It is not just passengers who suffer. London's attraction as an international centre of wealth creation is being compromised. Companies lose out directly when employees cannot make it in to work. In the long run, business could migrate to more efficient

Decades of under-investment, poor management and antiquated labour practices are now bearing their bitter fruit. The urgent priority is to find extra resources. London First, the business-led group, thinks £17bn will be needed over 10 years to modernise the under-ground and to finance new projects such as Crossrail.

Where are such vast sums going to come from? On current plans. only half will come from central budget deficit, there is little chance of more cash from that source. In fact, further cuts are possible in this week's budget.

Passengers benefit

Wholesale privatisation is not a realistic prospect either. The underground would only become profitable if its network was shrunk and fares increased sharply Meanwhile, although the group set up this month under Sir Alastair Morton may inject life into the government's initiative of attracting private finance for infrastructure projects, even enthusiasts recognise that subsi-dies will be needed before most such schemes can be profitable. But there is no reason why this money must come from central

passengers benefit from better ser-

vices, it is right that they pay more. But it is right that those who have property in the city and those who travel on its roads should also pay their share.

What are needed are new mechanisms to raise funds. Why not earmark a portion of the capital's business rates and council taxes? After all, better public transport would increase property values. Or why not hypothecate revenue from London's street parking charges? Car-users would benefit from roads not being so crammed.

Revenue streams

Once new fund-raising devices were authorised, there would be no need to wait for the cash to trickle in. It would be possible to issue a multi-billion pound bond, secured by future revenue streams. Funds could speedily be made available to subsidise the underground's modernisation and

new private-sector projects.
How should such an initiative be co-ordinated? While ministers would prefer a quango - if they could be persuaded to look at the idea at all — a democratically accountable body would be better. There should be no taxation with-

out representation.
But ministers would not have to resurrect the ghost of the Labour dominated Greater London Coun-cil. The new body would focus on transport alone. It would not own the underground and new projects. The relationship could be an arm's-length contract, under which the body provided invest ment funds in return for specified service improvements. With such contracts in place, it might even be possible to privatise the under-ground and start to sort out its

management and labour problems. Other ways could be found to make the body appeal more to ministers. For example, it could cover parts of the commuter belt, so ensuring it was not always Labour-run. Its authority could be limited in time, say to a decade. Ministers might even appoint its members but require investmen

and fund-raising plans to be approved by referendum. Such an initiative could only be undertaken if ministers were willing to slaughter a herd of sacred cows. But, given that the alternative is continued decay, a radical approach is needed.

weeks to go in the Gatt trade negotiations, the momen approaching for France - for its

deeply nervous government, its unequally matched agricultural and industrial lobbies, its key relationship with Germany and its vision of the European Union as a power in

There are signs of movement in the long logiam over agriculture has lifted its sights from regional to world trade issues. But Prime Minister Edouard Balladur is still talking very tough. He is threatening to block a Gatt deal if the US does not produce some speedy con-cessions not only in farm trade, but also on steel, textiles and future world trade rules that would submit Washington to the same disciplines as others. "We have obtained nothing of what we have asked for," he told his backbenchers last week.

On one thing only, the French prime minister has conceded. After months of letting his ministers deride Gatt's December 15 deadline as "an American date", set to suit Congress, he has acknowledged that, for better or worse, the middle of next month is decision time. Indeed, he has now cleared the decks for little else but Gatt, scheduling a parliamentary debate on Gatt before mid-December and making a trade agreement the focus of bilateral summits with European

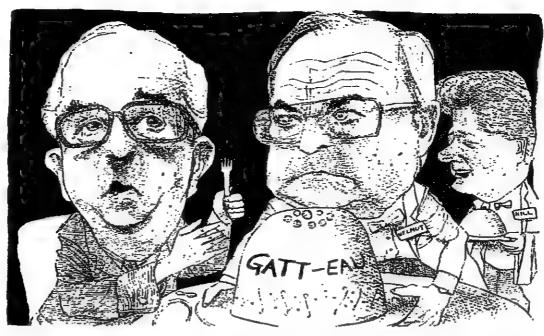
By far the most important of these is the Franco-German summit in Bonn tomorrow and Wednesday Leaders of the world's third-largest exporter (Germany) and fourth-largest exporter (France) will not have any precise Gatt text to chew on.

But the task before Chancellor Kohl, President Mitterrand and Mr Balladur is to recast, on a world level, the historic compromise which their countries made in 1957. This gave French agriculture free run (though on price terms that protected less efficient German farmers) of the Common Market in return for opening that market to German industry.

A generation later, the trade-off is more complex. Germany's interests as an industrial exporter remain constant, while France has become the world's second-largest food exporter, thanks largely to EU subsidies, and a big exporter of manufactures and services to the world. The US and the Cairns group of food exporters are insisting that France commit itself to sacrificing some of its 12.3 per cent share (at 1991 levels) of the world cereals market in return for industrial trade gains that are only potential.
Will Chancellor Kohl add his

Germany hopes France will yield to gentle persuasion and sign a Gatt deal, write David Buchan and Quentin Peel

The inconvenience of a la carte



ton apparently requested this in a message passed on by Mr John Major when the UK prime minister was in Bonn last week.

There is superficial logic in Mr Clinton's desire to bring German influence to bear on France. Such is the depth of the Franco-German relationship that Mr Kohl is probably the only person in a position to prevail on Paris. The two countries are each other's biggest trading and industrial partners; inside the EU they have produced a joint plan for their economies to converge; outside the EU each takes few foreign steps without the other, they have merged part of their armies in the Eurocorns: their civil servants and young people infest each other's ministries and universities; and so

The historic rationale of this relationship, admitted by the leaders of both Germany and France, has been to bind the Federal Republic into western Europe. But on the Gatt. the rationale is reversed - it is for Germany to persuade France not to break ranks with the common compean Union's earliest and most last-

In the shorter term, Mr Rohl has a tough election year ahead in 1994. He urgently needs the recovery which German industry is convinced a Gatt agreement could bring. Inside his coalition government, the foreign and economic affairs ministries, which lead for Germany on the trade issue, are headed by pro-Gatt Free Democrats. But, if one thing is sure, it is that,

while Mr Kohl is asking France to recognise its own and Europe's interest in doing a Gatt deal, he will never insist. To do so might not only endanger the position of Mr Balladur, who might be toppled by his party leader and presidential rival, Mr Jacques Chirac; it would severely strain the overall Franco-German relationship, more important to both countries than any individual policy.

Neither side sees Gatt as a real threat to their relationship. An Elysée official says: "We do not see Gatt as a confrontation with Germany, but rather with the US and it mercial policy which is the Euro- is easier in France to stir up antiAmerican reflexes than anti-Ger-

The same sentiment exists on the Rhine. "It is not a question of pressure by one side on the other. That is a rather Anglo-Saxon formulation," says Mr Ingo Kolboom of the German Foreign Policy Association in Bonn, "The relationship does not function like that. It is a matter of mutual persuasion...and the French know that they are a modem industrial state."

Assuming such self-knowledge on the part of many French is, however, a bit risky. They regard Gatt as a pistol held to the nation's head and see images of their past collective life passing nostalgically in front of them: Van Gogh's golden wheat fields, which would lie forever fallow because of the Blair House cuts in subsidised cereal exports; or arty Truffaut films, which would be pushed out of French cinemas by Hollywood blockbusters given even freer rela under Gatt.

France is only now coming to political terms with an industrialisation process far slower than that

of many of its partners. Whereas for instance, the rural population in Britain had shrunk to 42 per cent in 1881, it was only well after the second world war, in 1954, that France's rural community dwindled

to that level Since then, however, the moderniapace. Active farmers now account for 6 per cent of the population. The average size of farms is more than 30 hectares and half are now run as companies. Mechanisation and flight from the land has resulted in the paradox that as it has become a world "agri-power", so France has ceased to be a mainly agrarian soci-

ut French farmers retain an outsize political clout, providing the swing vote of more than the National Assembly's 557 seats. No less than a third of the country's 36,000 mayors describe themselves as farmers or retired farmers. And in the Hotel de Ville in Paris sits Mr Chirac who has never forgotten how much he enjoyed bimself as agriculture minister in the early

However, there are now faint signs of the emergence of countervailing pressure to the farm lobby. The exporters of (unsubsidised) wines and spirits have come out squarely in favour of Gatt. The house magazine of the Institut de l'Entreprise, a select club of France's top captains of industry, recently dared to say what its members have been privately telling Mr Balladur in an article entitled "Let's hope France is bluffing".

It stated: "If France were to carry the blame for the breakdown of a multilateral trade accord wished by all its partners, it would very quickly lose all the standing it has acquired with its foreign clients

over decades." This is precisely the message Bonn would like to see spread in France, but dare not to do so overtly itself. "We have been terribly careful not to be seen to dictate or interfere in the French debate, says a senior diplomat in Bonn. "We have simply tried to suggest to some leading people in the French media that there may be another, more positive side to the Gatt. We have not been very suc-

cessful. Certainly, the big fear among Gatt's supporters on the both sides of the Rhine is that Mr Balladur has left it too late to start selling a world trade agreement to his coun try. "Something must be found which makes it impossible for the French to say No," says the German diplomat. And in the German view, a large part of the enswer must

Yet to win his new democrat spurs

for the White House victory on the North American Free Trade Agreement many Republicans began to revise their opinion of President Bill Clinton. His advocacy of lower trade barriers with Mexico was so passionate, it seemed churlish to doubt his credentials as a "new democrat" - a man obviously committed to market forces.

At the Seattle meeting with Asian leaders, Mr Clinton scaled new rhetorical beights. Turning to the far more important battle for global trade liberalisation, he claimed a new Gatt agreement could transform the US economy, eventually creating 1.4m jobs and raising average household incomes by \$1,700. "This, my fellow Americans," he said, "is the answer to 20 years of stagnant wages for the hard-working middle class." It could have

been George Bush speaking. Mr Vin Weber, a leading Republican strategist, promptly welcomed Mr Clinton into the conservative fold. He pointed out, correctly, that tariffs and quotas are merely taxes and government regulation by another name. Mr Clinton could not logically favour free trade without also favouring free enterprise and low taxes domestically. Policies the

president deemed essential abroad could scarcely be harmful at home. in the forthcoming battles over healthcare reform and other social policies, Mr Clinton should thus not feel dependent on support from unions and other stalwarts of the Democratic left. Provided he stuck to the principles he enunciated so clearly in the Nafta debate, conservatives would flock to the Clinton cause. The impromptu Nafta coali-tion could be converted into a permanent congressional force for market-oriented reform.

It was an inspired if mischievous, thought. But is Mr Clinton really a new style of Democrat? He only began to fight hard for Nafta once he realised a defeat could undermine his authority in foreign policy and perhaps his standing as president. If you consider his first year as a whole, his record is less impressive. Indeed, only a few months ago. Mr Clinton was looking about as modern as Walter Mondale

Having just forced through a budget that raised the top rate of per-sonal income tax by a third, he did not seem remotely concerned by the adverse impact this domestic tariff might have on incentives for high-paid individuals or the owners of



successful small businesses. The only thing that mattered about the budget was its "fairness" - the fact that nearly all the new taxes were to be borne by the wealthiest 1-2 per cent of families.

AMERICA

But for a Senate filibuster, Mr Clinton's budget would have included a wholly unnecessary short-term Keynesian stimulus. In these pre-Nafta days, Mr Clinton's rhetoric on trade was far less enlightened. He tried to inflict a crass form of "managed trade" on Japan, involving quantitative targets for various industrial sectors. In stark contradiction to the rulebased Gatt system which he is now championing, it sought guarantees from Japan that chunks of its

for US and foreign companies. So who is the real Bill Clinton? Is he the ardent advocate of global

free trade, the man who promises to "compete, not retreat." Or is he the old-style Mondale democrat, keen on soaking the rich, revving up the economy and bashing the Japanese? The answer will become apparent only as the coming year's debate on social policy begins to heat up. A deal with the right is certainly conceivable. Most conservative Demo-

crats and Republicans are doubtful about central elements of the Clinton healthcare plan, such as the proposed caps on growth of private insurance premiums and the "man-date" requiring all employers to pay 80 per cent of employees' healthcare costs. But many enthusiastically support other elements, such as the attempt to increase cost efficiency by promoting "managed competition" between private-sector providers of care. If Mr Clinton is willing to negotiate, he might be able to assemble a centrist coalition similar to that which triumphed on Nafta.

Similar considerations apply in welfare reform and job training. Many Republicans were impressed by Mr Clinton's campaign oledge to introduce a strict two-year limit on

domestic market would be reserved welfare payments, after which most recipients would have to enrol in training schemes or accept jobs. Conservatives recognise the need to upgrade training to give workers displaced by global competition a better chance of acquiring new skills. They would probably support a Clinton job-training initiative, if it incorporated market-oriented mechanisms, such as vouchers.
There are good political reasons

for Mr Clinton to move to the right on social policy. By firmly occupying the middle ground of US politics, he would reduce his vulnerability to a presidential challenge from a moderate Republican in 1996.

Yet it is far from clear that he will jump this way. Mr Clinton's top social policy advisers, such as his wife Hillary and Mr Robert Reich, the Labour Secretary, seem less market-oriented than the Treasury officials who played a big role in the trade debate. After Nafta, Mr Clinton is bound to want to restore cordial relations with organised labour. All this may preclude radicalism on healthcare, welfare or job training. The notion that the Nafta coalition can be transformed into a permanent force for radical reform may be too good to be true. Mr Clinton has yet to earn his new democrat spurs.

OBSERVER

Younger model sought

■ Good to see the Treasury at last employing outside help to assist it decide the fate of its creaking economic model.

Alison Sprague, an economist and computer modelling expert at KPMG Peat Marwick, has passed her slide rule over several of the outfits which might have a crack at running the model, should the boffins throw in the towel

Her report is about as closely guarded a secret as the Budget. Nevertheless, Observer gathers that the general idea is partial privatisation, by way of soliciting advice on updates to the model. A former colleague of one of the Treasury's advisers. Patrick Minford, Sprague has spent several

and Social Research, and Warwick University. One notable omission is the Centre for Economics and Business

weeks on the telephone to the likes of the London Business School,

the National Institute of Economic

Its boss, Doug McWilliams, recently uncovered an embarrassing flaw in the way the model treats consumer spending. But it looks as if a degree of residual Whitehall amour propre prevents his flair being directly

acknowledged - at least for now.

Tango guru ■ Sir Alan Walters, erstwhile economic guru to Lady Thatcher, recently popped into a Cape Town business conference.

South African finance minister Derek Keys and his African National Congress counterpart, Trevor Manuel, Sir Alan appeared mildly surprised at the lack of

have a public policy tango; Keys espouses the "social objectives" of economic policy and Manuel speaks of "flying the flag for

demonstrated a sense of humous by presenting them each with a by presenting them each with a copy of Lady Thatcher's book The Downing Street Years – itself jam-packed with public tangos which fell apart when the going ent tough.

Olympian struggles ■ The hunt is on for a chief executive of the Sydney Olympic Games organising committee; but Rod McGeoch, a 47-year-old Sydney

lawyer, couldn't care less. That's odd, because McGeoch

led Sydney's successful September

Chairing a discussion between

flying fur. He shouldn't have been. The two

Sir Alan nevertheless hid to host the games in the year

(BWX)

McGeoch is cheesed off at lack of official recognition for those who worked on the bid; he has walked

There have been other hiccups too. John Fahey, the New South Wales premier, has incurred some ire for having snatched responsibility for the games from Bruce Baird, NSW transport minister. Baird had done most of the work in the bid run-up.

Then there are the rumours of a "budget blowout", euphemistically disguising possible

capital expenditure excesses. Finally, John Valder, the bid's main fundraiser, claims he has been kicked off the organising committee's board because no-one had remembered to appoint a

The first task of the new chief executive will be to engender a little more ieu d'essait amonest. the organisers.

Grecian earn

■ Beware of gift-bearing-Greeks, particularly politicians, Constantine Mitsotakis, no longer Greece's prime minister but merely a humble backbencher, is getting a grilling over who or what provided his impressive private collection of antiquities.

While in office his daughter -Dora Bakoyiannis - served as culture minister, fending off archaeologists' allegations that part of her father's collection of Minoan vases and Cretan Jewellery more than 1,000 items – derived from a looted ancient cemetery. Mitsotakis probably won't face formal accusations of antiquity

stealing; since 1979 he has had a private collector's licence. But Melina Mercourl - she of the 1980s campaign to get the British Museum to return the Elgin Marbles to Greece - is now the

new culture minister. Mercouri is renewing the Elgin

war, and she is also investigating the Mitsotakis mystery.

Low interest

■ Kenneth Clarke, Britain's Chancellor, influences interest rates but even he can't offer the sort of deal West Bromwich Building Society currently has.

The West Brom is giving a BSkyB satellite dish plus a year's free subscription (worth about £450) to everyone who takes out one of its discount mortgages. Glenn Elliot, West Brom's chief

executive, hails from Perth in Australia. There it's common practice to give away things like

solar panels with mortgages.
"But solar panels probably
wouldn't go down too well in Britain" says the man from West Brom.

Room service

■ The Queen's Moat House hotel in Bournemouth is making an offer which can hardly be refused; spend three days there at the New Year and get three nights for £5 apiece

next summer.
Given the hotel chain's pre-tax
£1.04bn loss for its last year of trading and its £1.18bn debt, Bournemouth's seem a generous such as 'while stocks last'.

Political heartland turns from both main parties

India's Hindu militants suffer election setback

Hindu militants, who last year unleashed civil unrest and political turmoil in India after storming the Ayodhya mosque, yesterday suffered a serious setback in the most important polls held since the 1991 general election. The Bharatiya Janata Party, the radical Hindu opposition whose supporters destroyed the

its popularity in state elections.
However, the ruling Congress
(D party failed to capitalise on the fading of the BJP's fortunes. Large numbers of voters in Uttar desh, the heartland of north Indian politics and the most important state to go to the polis,

osque, saw a marked decline in

deserted both major parties.

Mr P Narasimha Rao, the prime minister, had pledged to put economic reform back at the top of the agenda following the polls. But the mixed results seem unlikely to inspire the govern-ment to tackle controversial sues - such as over-manning in the bureaucracy and state-owned industries. Moreover, the prime

By Jimmy Burns in London

and Tim Cooks in Beltiant

not be missed.

Leading businessmen

Northern Ireland believe the

province has a unique opportunity for lasting peace that should

They believe Sinn Fein, the

political wing of the provisional Irish Republican Army, will have to be drawn into talks to make a

political settlement possible once

Interviews over the last week with executives at the top 50

companies in Northern Ireland

found most most broadly support

London and Dublin's efforts to

They warned that failure

would risk a renewed upsurge of violence with damaging conse-

quences for the economy. Many province's leading busi-

smen believe that an eventual unification of Ireland could be occeptable as long as there are economic and business dividends

it has renomned violence.

reach a settlement.

electoral performance

In a letter to Mr Narasimha Rao, Mr P R Kumaramangalam, a junior minister, urged the resignation of party officials responsihle for the elections. The present collective leadership that manages the affairs of the party have failed the party and the people miserably," he wrote. Nearly one third of Indian vot-

ers were given the opportunity to vote in six state elections in northern India. By last night, vote-counting was virtually complete in four states: Himachal Pradesh; Rajasthan; Uttar Pradesh; and the city of Delhi. Counting is due to start tomorrow in Madhya Pradesh and in the small north eastern state of Mizoram. Himachal Pradesh, Rajasthan, Uttar Pradesh and Madhya Pradesh were ruled by the BJP until their assemblies were suspended last year for allegedly encouraging the Ayodhya mosque's destruction. Congress has won Himachai Pradesh, a former stronghold, but the BJP seems likely to retain control of Raja-sthan, though without an overall

Business leaders in Northern

Ireland have traditionally been

reluctant to be drawn into the

political debate for fear of becoming targets of terrorist attacks. Their decision to break their

silence underlines the impor-

tance attached to peace efforts at a time when businesses are

threstened by terrorism on the one hand and recession on the

Sir George Quigley, chairman of Ulster Bank said: The two governments should work closely

together and all concerned grasp

the sense of urgency . . . there is a

need to act now and not just drift

for another 12 months which

would lead to a repetition of the

violence of the last 25 years. This

is a turning-point."
Mr Edward Wilson, Ulster Car-

pets' managing director, said

some sort of settlement. "I would be quite happy as an industrialist to work in a united Ireland or

turned in large numbers from both main parties and voted for the populist Samajawadi Janeta Party and its allies, a grouping

dominated by lower castes.
Last night projections showed the BJP looked likely to win about 170 of the 425 Uttar Pradeah assembly seats, down from 221; the Samajawadi grouping were likely to secure about 180 and head an anti-BJP coalition government in the state. Congress, which once dominated Uttar Pradesh, was predicted to

lake less than 30 tests.

In Delhi, where state elections were being held for the first time after 40 years of central govern-ment rule, the BJP won a clear majority. BJP officials claimed winning Delhi far outweighed losing Himachal Pradesh because of the capital's political importance. Congress officials said anti-BJP forces had gained ground in all the states which had previously experienced BJP government. Mr R L Bhatta, the deputy foreign minister, said:
"We have turned the tide against

right economic support from the

EC there is no reason why

single political and economic entity." Eventually, he added, "bringing Sinn Féin to the negoti-ating table would have to be part

of a necessary process".

Mr Trevor Campbell, managing director of Moy Park, a leading

food processor, commented: "No

one is in any doubt that a cessa-

tion of violence would help the

economic climate generally. I

don't want a temporary ceasefire

but a permanent one. If the gov-

ernment can get a devolved

administration in Northern Ireland this will help business."

Mr Georges Senninger, manag-

ing director of Montupet, a

French motor components com-pany based in Belfast, said:

"Every time we try and sell

Business says N Ireland must grasp opportunity for peace

tive, Mr Dieter Bock, the German financier who owns 18.8 per cent of Lonrho, was not backing the film. "Mr Bock has fully supported the board in deciding to

Mr Bock, however, is known to be emburrassed by the film-and wants Lourho to withdraw from further co-operation with Libys. The film is being funded by Metropole Hotels which is twothirds owned by Lourho and one-

Mr Rowland said he had been warned by the UK government that accessing of the film, due to be in contempt of court. Mr Row-land wid he had up intention of showing the film to the public but said a copy would be sent to the foreign office.

Lockerbie film may pave way for deals with Libya

Lonrho. the UK-based international conglomerate, is ready to complete deals worth hundreds of millions of pounds with Libya if a doctmentary film shows it to be innocent of the Lockerbie bombing, Mr Tiny Rowland, the joint chief execu-

tive, said yesterday. Mr Rowland said Lourho had set up a Caribbean shell com-pany to finance a film about the bombing to establish whether Libya was involved in the destruction of the Pan Am airliner over Lockerbie, Sectiond, in 1988 with the loss of 270 lives.

"The Libyans want to sign deals with Lourbo worth hundreds of millions of pounds but I have to be sure we are not involved with partners of mass nurder," he said. "If the film proves them to be innocent, here will be enormous potential

to sign many deels." Mr Rowland said Libya wanted to take a 25 per cent stake in Lourho's agricultural business Lourino's agricultural business and had pressed the company to sign new joint ventures worth around £150m (\$234m) through the Libyan Arab Finance Com-pany (Lafico), the main invest-ment vehicle of Colonel Minam-mer Gadaffi, the Libyan leader. But Mr Rowland said: "I have told them that until me know for

told them that until we know for sure that they were not involved in the Lockerbic bombing we cannot do any further deals." Mr Rowland rebutted sugges-tions that his joint chief execu-

make this film," he said.

third by Lafleo.

THE LEX COLUMN

Saving in safety

The UK chimoellor's pledge before the CBI conference to conduct a thorough review of tax on savings might give the pensions industry a stay of enecu-tion. The obvious targets for tomor-row's Budget, such as tax-free lump-sums on retirement and higher rate relief on pension contributions, can hardly be considered in isolation. For example, restricting relief to the basic rate of income tax only makes sense if taxation of pensions in payment is reformed along similar lines.

The drift of policy has been clear since Lord Lawson introduced the cap

on pensions contributions in 1989. With the cap indexed to prices rather than earnings - and now frozen alto-gether - the attraction of pensions visa-vis other forms of savings, such as personal equity plans, will gradually diminish. Mr John Maples, former economic secretary to the Treasury, recently proposed the logical extension; person contributions should be sion: pension contributions should be paid out of taxed income but benefit paid tax free, as under a PEP. While that might initially raise £7bm a year for the exchaquer, the chancellor would again be guilty of pre-empting a wider review.

water teview.

The same could be said of anothercut in pension funds' tax credit on
dividends. The cut to 20 per cent in
March was rationalised as bringing
the credit in line with the new lowest. rate of income tax. Unless Mr Clarkeintroduces another lower rate, that argument will not wash again. Given the muted response to the last cut, though, the dividend credit may look a soft target. Abolishing it altogether might bring in £2bn, even allowing for tax relief for companies forced to increase their contributions to top up pension funds as a result.

Queens Moat

An agonising couple of days looms for Queens Most Houses, Today share-holders meet to approve the 1992 accounts. Tomorrow, bond holders make their first response to the breach of covenants on the debentures. The controversy over the group's hotel val-uations will loom large in both discussions. Equity holders are concerned that the latest valuation of only £861m weakens their position visa-vis the banks. If it is too low, their interests will be unduly diluted in any eventual debt-equity swap, while the banks will have an increased share in any future

appreciation of the assets.
Coincidentally, a low valuation of the properties is in the interest of the



recovery will look more impressive if it starts from a low base. But that does

it starts from a low base. But that does not necessarily mean shareholders are being treated unfairly.

First, £361m may turn out to be nearer the mark than the £2bn at which the hotels were valued in 1991.

The new valuation promised by the company may shed some light, but it had a subsequent Butter. is a pity that an embarrassed Royal institution of Chartered Surveyors has used the cover of the government. enquiry into other aspects of the case to defer its own adjudication. Second, the real reason for the restructuring is that the company cannot generate enough cash to service its debt. Such a situation invariably puts banks in the

driving seat.

Arguably debenure holders face a different kind of choice. By calling in their security, they might end up with more cash than if they hold on and renegotiate the terms of their bonds as part of the overall refinancing. That, of course, would be one way of testing the 2551m valuation. The risk to bond-holders is that hotel sales would then take place at fire-cale prices, which is not what the valuers envisaged.

European chemicals

it will take more than marginal capacity cuts to transform the outlook for Europe's petrochemicals companies. If European producers can agree to close inefficient plant - they appeared close to a deal last week capacity utilisation and profitability should improve. But with BASF's large Antwerp cracker due to start, production, token closures will not suffice. Besides, the real pain in the current downturn has been caused by weak prices rather than low utilisa-tion rates.

There seems little hope of a substan tial pricing recovery until capacity elsewhere in the world is brought into line with demand. Higher prices in Europe would suck in imports, nota-bly from the US. Since US companies are generally low-cost producers, the flow of imports would be triggered at prices which would leave most European producers in the red. That cost disadvantage will not be easily solved. Small European plants using expensive feedstocks to make plastics in countries with high labour costs face a

long uphill struggle.

Even so, firmer plastics prices combined with higher utilisation rates would bring mild relief. The worry is that the prospect of subsidies for plant closures is delaying action that would otherwise be taken on economic grounds alone. If the talks are going to fail, it is better that they do so soon.

Food manufacturing

Strange forces are fast reshaping the UK's food industry and the stock market seems confused about what to make of them. For the first time in a long while, it rates food manufacturers' earnings more highly than those produced by food retailers. And while the retailers have underperformed the market by 84 per cent this year, the manufacturers have shown a more modest 11 per cent decline. That would either suggest food retailing stocks have been oversold or that manufacturers have a lot further to fall. The recent warning from North-arn Foods has only reinforced the lat-

divergence in relative performance. Retailers were previously rated more highly and have had more room to fall. But food manufacturers may also prove more defensive. The bigger companies, such as Unilever and Cadbury Schweppes, have strongly-growing businesses outside the UK. Moreover, producers have made great efficiency the cosh of the retailers.

Nevertheless, big restructuring charges may emerge as a feature of the manufacturing sector as compasumer products companies, such as Procter & Gamble and Philip Morris, have perhaps set the trend. It will certainly be a brave investor who ventured back into either food sector at present. Both sectors, though, may find some comfort from dividend yields touching 4 per cent.

Colosio

Continued from Page 1

Sonora. He went to university in the industrial city of Monterrey, and has a graduate degree in urban development from the University of Pennsylvania. He has

comes into play. The IRA is part of the landscape here. I don't think it is possible to have a political settlement without them." within the UK... given the right political institutions and the Peace effort hit by dialogue with IRA

Continued from Page 1

life taken and people injured - as indeed was the case - I would have been readily forgiven by the people of Northern ireland."
That version of events was denied by Mr Gerry Adams, the president of Sinn Feln, who accused Sir Patrick of "lying". Mr Adams said there had been a an exchange of policy positions involving senior civil servants. Mr Martin McGuinness, the ment Sinn Féin leader with

whom the messages were exchanged, said contacts were basis with the full knowle

condition that there could be no negotiations until the IRA ended its terrorist campaign.
It is understood, however, that

documents include an explicit offer of a place in negoti-ations for Sinn Fein if the IRA

become one of the president's most loyal aides, and helped to mastermind the PRI's victory in the 1991 legislative elections. **Europe today**

Low pressure systems arriving from the Atlantic will bring milder ocean air that will begin to change the wintry conditions prevailing over the continent. A low pressure centre west of freland will cause unsettled conditions over the British lates with gale force southerly winds in coastal regions. An adjoining frontal zone will shift east

causing widespread snowfall in East Anglia

tonight. More rain will reach the French and Spanish coasts during the afternoon.

Meanwhile, a high pressure centre over Siberia will continue to cause wintry conditions in northern and central Europe. Another night with the CIS as for south as Romania. An old frontal zone will cause clouds over eastern Germany and Poland and some snow in the Baltic Sta The heaviest snow will occur over Austria, Hungary and northern Yugoslavia. The easter Mediterranean will remain very unsettled with heavy rainfall in coastal regions of Italy, Greece, ner Yugoslavia and Turkey

Five-day forecast

The high pressure which has dominated conditions over Europe is slowly moving east. Warm air will move in and end the wintry



has acquired

The Time and Security Business

Mercury Communications

£58 million

Kleinwort Benson

Acted as financial advisers to Blick

Arranged and took the leading participation in a £40 million loan and guarantee credit facility

Underwrote a £20 million rights issue

Kleinwort Benson Securities

Acted as stockbrokers to Blick

Arranged the sub-underwriting of the rights issue

Kleinwort Benson

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Monday November 29 1993

Satellite network for VW dealers

By Raymond Snoddy

Scientific-Atlanta, the communications technology group, is to provide a private satellite network for Volkswagen which will eventually link its dealers all over Europe. When it is complete the

VSAT (very small aperture ter-minal) network will be by far the largest in Europe with several thousand terminals.

As many as 300 dealers are to be linked to the network within the next year mainly in the eastern part of Germany where the telecommunications infrastructure is poor.

It is believed to be the first example of a manufacturing company, as opposed to financial services groups, setting up its own VSAT network in

The network will handle everything from data communications and broadcast video for staff training to credit-card verification and the provision of in-store music. After the links are established with VW dealers in eastern Germany the network will be expanded to cover dealers in the rest of Germany and then across

VSAT networks are common in the US and by the end of last year more than 100,000 terminals had been installed worldwide, adding up to a \$350m a year business. They are less common in Europe with an estimated 2,000 terminals in use, mostly in Ger-many. Apart from financial services they are mainly used by governments.

In the Volkswagen deal Scientific-Atlanta will be the equipment provider and V-Crest Systems Europe, a wholly-owned Volkswagen subsidiary will manage the

Scientific-Atlanta claims that VSAT networks can offer 20-30 per cent discounts on traditional land line communimany parts of eastern Ger-many it is impossible to link dealers using a traditional ter-

The Atlanta-based company decided to enter the European. VSAT market last year mainly because of the European Union's moves towards deregulation of telecommunica-

Bayer starts drive to grow in China

By Tony Walker in Beiling

Bayer, the German chemicals and pharmaceuticals group, is to invest \$200m in six Chinese enterprises as part of a drive to establish a comprehensive

presence in China.

An umbrella agreement was signed at the weekend in Beijing with the Chinese Ministry of Chemical Industry and subsidiary agreement with sidiary agreements with prospective partners.
Ventures include plastics

manufacturing, the production of tanning agents and dyes, and the packaging of photographic film.
Mr Dieter Bechar, a Bayer

board member responsible for Asia, announced the establish-ment of a holding company in Beiling to oversee Bayer's business in China, one of the first such foreign holding companies on the mainland.

Mr Becher said: "Bringing our best technologies here is the best way a company like. Bayer can contribute to the development of an advanced chemical industry."

Bayer's announcement fol-

this month by Chancellor Helmut Kohl. Agreements signed during the Kohl visit totalled more than \$2bn and included the sale of six Airbus A340's and the construction of an 18-

Guangzhou. Bayer's decision to establish a presence in China also reflects growing competition among chemicals and pharma-cautical companies for a share

kilometre underground link in

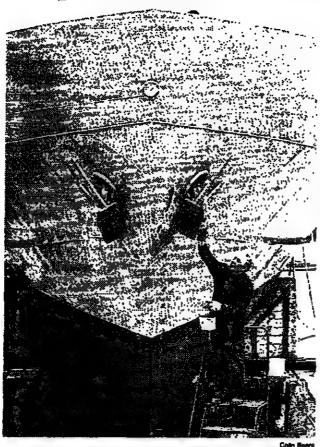
of a booming market.

Mr Becher said Bayer's exports to China totalled DM520m (\$307m) in 1992, but "it would be difficult to increase this on the basis of imports alone".

Bayer's umbrella agreement with the Chemical Industry Ministry covers co-operation in planning and construction of chemical plant, and in engineering and technology transfer. The German company will also manufacture Baygon, its well-known insecticide, in Guangdong province. Marketing starts next year.

Projects under consideration include production of pharma-ceuticals, and animal health and crop protection products.

Vosper set for sales



Vosper Thornycroft, the UK manufacturer of warships, is hoping for export success with its new cutter. The 34-metre vessel, designed for HM Customs and Excise, has been built with anti-

Chelsfield comes to market valued at £250m

By Paul Taylor in London

Chelsfield, the UK private property company led by Mr Elliott Bernerd, is coming to market through a placing and intermediaries offer likely to value the group at between

On this basis the group, founded by Mr Bernerd with £200,000 of capital in 1986, will rank as the 12th largest quoted British property group. Chelsfield will raise a total of

£110m in new capital, £50m through the placing and intermediaries offer and £45m from existing shareholders to coincide with the flotation.

At the same time the group, which had fixed assets of £356m at the end of June and has current net assets of £141m, has agreed to acquire a portfolio of properties from Allied Lyons Pension Fund for £30.6m, of which £15m will be in the form of new shares.

Mr Bernerd, who is expected to retain around a 30 per cent stake in the group after flota-tion, said yesterday that the new money raised "will enable the company to continue to eniarge and develop our UK tage of the opportunities which exist in current market condi-

Cheisfield will come to market with a portfolio of whollyowned UK properties with a total value of about £250m and annual rental income of about £19m - sufficient to cover existing overheads, interest costs and forecast dividends.

The group's UK portfolio is notable for the number of income-producing properties, particularly in central London, with refurbishment and devel-

opment potential.

In addition the group holds interests in a business park

Outside the UK Chelsfield's interests include a 50:50 US joint venture with P&O, Laing Properties which owns 6,700 garden apartments in the south east of the US. Laing itself is expected to be floated as a property investment trust

early next year. The issue is sponsored by Hambros Bank and stockbrokers Zoete & Bevan and the issue price, which will be based on an existing net asset value of 165p per share, is due to be announced on December

The Markets

Starting on page 19

PETER MARTIN: Japan's finencial will have more statistics to absorb next

the forces driving share prices down owe as much to psychology and politics

as to economies Meanwhile, in Europe, investors' eyes are turning to smaller stocks. Page 19

ECONOMICS NOTEBOOK When



will be based on doubtful statistics or even flawed. Page 19

Bonds: The floating rate note market, which has enjoyed a spectacular recovery over the last two years, is expected to flourish further

Much of last week's improvement in London was rooted in a shift from caution to confidence in the derivatives markets. But will the upturn continue?

in 1994. Page 22

Emerging markets: Chile is no longer as dynamic as other South American countries, but its market sophistication is unparalleled on the continent. Page 21

Tuesday's surprise half-point cut in UK base rates has seen uncertainty and drama return. Page 29

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Moment of truth looms for Ferruzzi

sive for Italy's Ferruszi group as bankers and shareholders gather for a string of meetings to determine its future.

The fate of the Ferruzzi Finanziaria (Ferfin) holding company and Montedison, its main industrial arm, goes much further than a tussic over debts. Ferfin and its subsidiaries, which include Edison (energy), Cal-cestruzzi (cement) and Eridania Beginn-Say (sugar), comprise Italy's second-biggest private company, with more than 52,000 employees and sales

of L19,900bn last year. The rescus package prepared by Mediobanca, the Milan marchant bank, and other big domestic credi-tors is easily the biggest restructuring in Italian - and probably European corporate history. Ferfin's net debt is now running at more than L22,600bn (\$13.58bn), while group losses last year were L1,667bn.

The decisive meeting will come tonight, when the boards of Farfin and Montedison gather to assess creditor banks' response to the controver-

The next 72 hours could be decisive for lialy's Ferroused group Bankers and shareholders vote on the largest shake-up in Italian corporate history, writes Haig Simonian

sial rescue plan unveiled by Medio-banca in mid-October.

The scheme involves interest moratoriums, restructuring of borrowings and the conversion of debt to equity. A few subsidiaries will be sold, others will go into joint ventures in a package designed to lighten Ferfin's interest burden, prune costs and concentrate on cash-generating subsidiaries. Gaining the banks' approval

remains a cliffhanger, however.
Although Ferfin's Italian bank creditors backed the plan early on, foreign institutions have been less malleable. The position of foreign banks may appear marginal, as they account for only a fraction of the group's total borrowings. However, they are in a strong position as their lending is concentrated on a handful of subsidlaries, such as Montedison, which has borrowed heavily in the US. Indeed they could scupper the scheme as

they account for almost all the loans to Montedison's big US-based Himont polyethylene subsidiary, which they could put in default. Together, the foreign banks, which include Bar-clays, Citibank, Credit Suisse, Deut-sche Bank and UBS, are owed

The past week has brought a foreign creditors. An updated plan has removed a number of contentious operations, such as Montedison USA and Himont, out of the restructuring. However, observers will only learn tonight whether the changes have proved enough. Foreign bankers have welcomed the changes, but stress that it is impossible to meet the deadline

The stakes are high. Mr Guido Rossi, Ferfin's tough chairman, who

lier this year, has threatened to instigate bankruptcy proceedings and even to resign if he does not receive the support of banks representing at least 80 per cent of Ferfin's borrowings. The latest Mediobanca letter demands 85 per cent acceptance.

Mr Rossi's challenges are taken détente between Mediobanca and the with a pinch of salt by foreign bankers, who see the moves as part of the war of wills in recent weeks. But few right, especially as bankruptcy pro-ceedings in the slow Italian courts could drag on for a decade.

If enough banks agree to the plan, shareholders' meetings will be held tomorrow to approve Ferfin's recapitalisation and on Wednesday for

For Ferfin, the plan envisages raising L2,932bn via rights issues and was brought in by Italian bank credi- warrants to buy new shares. The

scheme is partly a book-keeping exercise, as creditor banks will largely be swapping debt for equity. Shareholders will also be asked to approve issuing a further L2.000bn in new shares and Leoobn in bonds over the next 18

Similar action is in store for Montedison. The rescue plan contains measures to raise L5,172bn, assuming all warrants are exercised. The board will also seek approval to raise a further L1,000bn in shares and L500bn of bonds over the next 18 months.

Even assuming a last-minute com-promise is reached with the foreign creditors and enough banks accept be clarified.

How Ferfin will pay to maintain a holding in Montedison is one. The Mediobanca plan envisages Ferfin paying L400bn for new shares. The cash will come from its own recapitalisation, and from a partial sale of its stake in Gemina, a big holding company. According to the plan, Ferfin's stake in Montedison will fall from 49 per cent to 30 per cent.

This week: Company news

Renault marriage proposal moves closer to altar

By Hugh Carnegy in Stockhoim

The fate of Volvo's controversial plan. to marry its car and truck operations to Renault, the state-owned French giant, should be decided this week by a handful of Swedish pension funds and insurance companies. Although the special shareholders'

meeting is not until December 7, the outcome should be clear by the end of the week as key institutions make up their minds which way to vote. With 30 per cent of the voting capital already in the bag for Volvo, the odds are now in favour of the merger winning approval

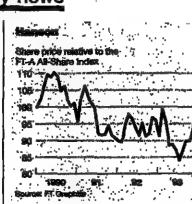
However, a further twist lies in the intention of Aktiesparama, the small shareholders' association, to make legal challenge on the grounds that the merger requires a change in Volvo's articles of association. Such a change would require a two-thirds majority rather than a simple majority.

Decisions to watch for are from three

insurance companies that earlier expressed opposition because of their scepticism over French promises to privatise Renault and the terms of a subsequent state golden Trygg-Hansa and SPP, sister

insurance companies that hold respectively 1.4 per cent and 4.5 per cent of Volvo's voting capital, are set to announce their verdicts on Thursday

Skandia, with 3.7 per cent, is also likely to decide this week. Its chief executive, Mr Björn Wolrath, originally lambasted the Volvo-Renault deal, but is thought to have been mollified by assurances from the French government. Other key voters are the pension and investment funds of Sweden's two leading banks, Scandinaviska Enskilda Banken and Svenska Handelsbanken, which control 12 per cent of the votes. The power of reason, Page 9



HANSON Coal strike casts shadow on year

With the US coal strike apparently moving towards a settlement, Hanson may have some good news for its shareholders when it reports annual

profits on Thursday. The strike cost Hanson 229m in the third quarter and could have cost £80m-£80m in the fourth, to the end of September, so the total could be £100m for the year. Investors are keen to see a settlement, the only question is what concessions the coal producers

will have had to give. The market is also hoping for a dividend increase, although forecasts are for a fall in pre-tax profits from £1.29bm (FRS3 basis) in 1992 to £1.65bn.£1.07bn, and around £50m less excluding disposal profits. Hanson pays its dividends quarterly, and has paid 2.85p for each of the last four payments. Some feel an increase is

due, perhaps to as much as 3p. due, perhaps to as much as 30.

Another concern is the level of gearing following the \$3.2bn (£2.1bn) purchase of Quantum Chemical, which went through on the last day of the financial year. Gearing could top 80 per cent, depending on provisions and asset revaluations. This explains Hanson's disposals drive. After last week's two deals worth £166m, there

may be more news. Investors may also look for hints on management succession following the promotion of Mr Derek Bonham, chief executive, to deputy chairman.

OTHER COMPANIES

Dresdner to keep up banking momentum

If there is one sector which is apparently able to defy the deep German recession, it is banking. This was proved last week when Commerzbank, the smallest of the big three, reported operating profits - after provisions for bad and doubtful debts up 52 per cent in the first 10 months.

Dresdner Bank, the second biggest, reports its figures on Thursday. Like Commerzbank, it will benefit from buoyant securities markets, but analysts will focus their attention not so much on the absolute level of profits but on provisioning against sharply mcressed domestic credit risks.

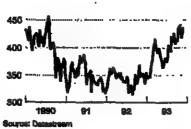
■ Life insurance: Japan's eight leading companies in this sector release their half-year results today. The industry is going through a period of tough trading. Sales of insurance policies and personal pensions slipped last

■ Thyssen: The big German steel, trading and engineering group announces annual results this week possibly Tuesday – amid rumours that it is about to pass its dividend. Weighed down by weak steel trading, Thyssen made a pre-tax loss of DM515m (\$300m) in the first half.

■ ABSA: South Africa's biggest banking and financial group is expected to show strong first-half growth at the operating level when it reports

■ Bass: The UK brewing, hotels and retail group is expected to report on Wednesday a 5 per cent increase in

Share price (DM)



full-year pre-tax profits to about £495m. Brewing profits are likely to be hit.

News Corp: Today is the deadline for submissions to the Australian Stock Exchange on Ropert Murdoch's contentious plan to issue shares with "super" voting rights on a pro rata basis to existing shareholders. The ASX would need to change its listing

rules to permit the News Corp scheme.

■ Grand Metropolitan: A £175m (\$260m) restructuring charge will reduce pre-tax profits for the year from £913m to about £770m. However, Thursday's announcement is expected to reveal a brighter picture at the trading level, including the IDV spirits division, Burger King and North American food operations.

■ Potential investors in Credito Italiano, Italy's first big bank privatisation, will learn on Saturday, the pricing for the deal. Iri, the state holding company, is selling most of its 67 per cent holding of ordinary

23

20

17

Companies in this issue Banca di Verona Banco San Germiniano Burns Marve Spotta Bayer

Cambridge Wetter

Berlaye

Dart Group Extel Financia 23 Terrison. 23 17

Fidelity European Fulcrum Inv Trust Henkei

17 20

20 20 20 17 17 23

November, 1993

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Dutch publisher pulls out of battle for Extel

By Paul Taylor

VNU, the Dutch publishing group, has dropped out of the bid battle to take over Londonbased Extel Financial, the on-line financial information service company put up for sale two months ago by its owners, United Newspapers.

VNU had submitted an "indicative" bid for Extel last month and was believed to be one of the front-runners. But Mr Joep Brentjens, VNU's chairman, told Amsterdam's Het Financieele Dagblad newspaper that United Newspapers'

asking price was too high.

Mr Brentjens said VNU recently broke off talks with United Newspapers, but he declined to reveal the asking price. Dutch newspapers had

Dart ahead

Dart Group, the aviation services and distribution con-

cern, made progress in the six

months to September 30 with

pre-tax profits up 30 per cent from £965,000 to £1.25m. Turn-

over rose 27 per cent to £27m.

said that although margins remained tight, increasingly

more business was being won throughout the group. This, coupled with continued atten-

tion to costs and overheads,

was enabling a resumption of

Trading in the second half

continued to be satisfactory.

Earnings per share increased from 4.4p to 5.8p, while an unchanged interim dividend of

Mr Grant Westcott has been

appointed finance director with effect from September 22 1983.

Mr Peter Shaw, chairman of

Cambridge Water, said that

water resources, much

depleted in the four year

"drought", had now recovered

The statutory water com-

Cambridge Water

profit growth.

Mr Philip Meeson, chairman,

30% in

first half

put VNU's offer at about are thought to have F1 195m (£68.6m).

"We were very interested in a part of Extel, company information, but the other activities were less suitable for VNU,"

VNU is best known as a publisher of consumer and profes-sional magazines, but it also owns minority stakes in the Dutch television station RTL4 and operates several on-line financial and professional information services in the US. some of which are similar to the services provided by Extel Financial.

Many of the world's largest information providers have expressed interest in buying the 121-year old organisation and about 40 potential suitors

NEWS DIGEST

against £1.69m last time. Turn-

over improved to £7.63m

approached Veronis Suhler. the US investment bank managing the auction. Other bidders known to have

expressed an interest in the past include FT Profile, the on-line information service owned by the Financial Times, and Standard & Poor's, the international credit rating

However, Reuters, the global information company, ruled itself out as a potential bidder at an early stage. Extel Financial made an esti-

mated profit of about £5m on sales of £33m last year, but soaked up 26m in investment in technology. United Newspapers is expected to use the proceeds from the sale to reduce borrowings.

pany announced profits ahead to £1.77m pre-tax for the six months to September 30,

Mr Shaw said that the rate of new connections was slightly higher than in the last two Earnings per £1 share worked through at 394p (410p); the interim dividend goes up

Scottish Inv Trust

Scottish Investment Trust lifted its net asset value per share by 29 per cent - from 217.3p to a record 280p - over the 12 months to October 31.

The independently-managed international trust saw net revenue improve by 14 per cent to £14.1m (£12.4m). After the preference dividend, sarnings per stock unit emerged at 5.489

The recommended final dividend goes up to 3.2p, bringing the total to 4.9p (4.82p).

Fulcrum Inv Trust

Net asset value per capital share of Fulcrum Investment Trust stood at 63,12p at the half year ended October 31, agninst 48.11p six months earlier and 34.04p for the compara-

nancing which was completed at the end of June last year. and two new loan facilities in sterling and dollars which were agreed before the period end, last year's figures were not comparable,

Net revenue amounted to 2497.467 for earnings per income share of 4.43p. A sec ond interim dividend of 1.4p makes a total for the year to date of 280.

Fidelity European

Fidelity European Values, an to raise £17.6m via a conditional placing of new shares and warrants.

Offer units are being placed at 170p each, with existing shareholders having the right to apply for five offer units for every 24 ordinary shares and/

or warrants they own. The trust also plans to leave a further \$4.4m of index-linked ebentures to keep the trust at the 25 per cent gearing level it had at launch in November

has raised £42m for its second utilities investment trust. Applications for income shares have been accepted in full. For the zero dividend preference shares, applications for up to shares have been accepted in full; larger applica-tions have been scaled back.

Administrators draft a concluding chapter

here may be a long epilogue to come, but the administrators to Maxwell Communication Corporation are drafting a concluding chapter to their magnum opus following the sale of most of the businesses in the public empire of the late Mr Robert

Creditors to MCC may be able to receive much of the benefit through a dividend early in the new year, as the proceeds of the sale of the group's principal businesses in he US trickle through

Accountants at Price Waterhouse and their advisers will still need perhaps as long as a decade to finish tracing assets, pursue litigation and unravel n the most efficient manner a network of 400 MCC compa-

But substantial realigations to creditors will come shortly from the sales of Official Airline Guide (OAG) to Reed Elsevier in September for £417m, and of Macmillan to Paramount Communications earlier this month for \$552.75m.(£371m).

Still outstanding in both cases is the "pre-packaged" Chapter 11 exit under US insolvency law which will permit completion of the sale of the companies. That requires expiry of the "bar date" on new claims against the Maxwell businesses from creditors who are not yet identified. For both OAG and Macmillan, these will have expired in the

Mr Mark Homan, one of the

out sale of most of the Maxwell businesses

bilities. "We have identified what the books reveal; heaven knows what they don't show,"

The presence of a "bar date" beyond which no new claims will be admitted is one of the advantages Mr Homan will concede of US over English insolvency law - where the position is more ambiguous. Another is the presence of a specialist US bankruptcy court, which he says has helped the speed of the process.

Against that, the administra-

tors have been forced into a very delicate and unpreceted process of pegntiating a contradictory procedures of the two jurisdictions - the result of MCC's directors filing for protection in New York at the same time as the group entered If there are no new claims before the bar dates, Mr Homan says: "That will leave us free to upstream the

The proceeds will then pass through two intermediate holding companies before being repatriated to the MCC parent for a distribution.

There are still issues finalised over the tax bills on

joint administrators and head the sales. The administrators ing and future costs. That has of insolvency at Price Water need to take care to ensure included about £100m from house in London, is confident that his team has done all it can to find any outstanding liable before taking fall advantage of fall of assets left to sell. In the US, the only signifioffsetting any proceeds against tax losses elsewhere in the

> Mr Homan says he was happy with the way in which OAG and Macmillan were sold: the former by negotiated settlement as a result of some of the technical and regulatory difficulties involved; the latter by sealed bids, which he believes to be highly unusual in a US insolvency. He says Para-mount's offer was significantly above the next highest price to make us feel the process was justified" despite some tensions at the time.

ot all money will go to the unsecured credi-tors in the group: there are preferential stock-holders in OAG to be paid first, for instance, as well as mort-gage payments to deal with. There are also professional There are also professional fees, which he estimates will finally total 3 per cent of realis-ations. Including lawyers and bankers, the total will run to £60m or more. "I've had incred-fble value," he says. "It's unfair to criticise such dedicated modessionals."

Some money from sales of non-US MCC business

cant remaining asset is Stan-dard Rate & Data, the advertising industry information service. It remains because it might have been sold with OAG, since they share a common computer system. In the event, Reed did not want to buy the company, so it is being marketed separately. It is likely to raise somewhere in the \$80m-\$100m range. A few more millions will come from some companies which could have been sold with Macmilian such as the Advertising Black Book

Any remaining proceeds for creditors will come from claims against third parties. Mr Homan is reluctant to be drawn on the subject, but says:
"We are considering a claim
against the auditors" - Coopers & Lybrand. There may also be legal action against other professional advisers, and insurance companies

reluctant to pay up.
In addition, Mr Homan says
cryptically that he is
considering actions to
recover "not trivial sums" from creditors who may have gained an unfair advan-

Andrew Jack on the final stages of the long drawn obtaining undue preferences. He says that there may be recoveries in the "high tens of millions" as a result of investigations work into tracing money illegally removed from

the group.
The administrators are still running a 1,000-line computer programme to help determine the value and timing of dividend payments. There may be an intermediate one in January, or a single larger sum in

March once the US bankruptcy proceedings are complete.
On current estimates of realisations, it is believed that the total is likely to be around 40p in the pound, towards the upper end of the 22p-43p range quoted earlier this year before an additional 9p from the proceeds of any successful litiga-

eanwhile, Mr Homan is beginning to reflect on the wider lessons to be learnt from the administration, not least of which is his concern at arbitrageurs who have traded about half of MCC's debt since its

He says they often pester his staff in a hungry search for information which it may not he in the best interests of creditors to reveal.

Since they keep changing, it is difficult to keep them informed. He also argues that their interests are fundamentally divergent from other credbreak-up to reconstruction of a

Stagecoach pays £9m for Western Travel

By Charles Batchelor, Transport Correspondent

Stagecoach, the operator of regional bus services, is to buy Western Travel, another bus company, for £9.25m, in a deal which brings to three the num-ber of acquisitions since Stagecoach was floated in April.

To finance the purchase, Stagecoach will issue 3m new shares valued at £4.75m. £4m. worth of loan notes and pay £500,000 in cash. In addition it will lend Western Travel £2.1m to part-finance the payment of a special dividend of £4.5m to the vendors.

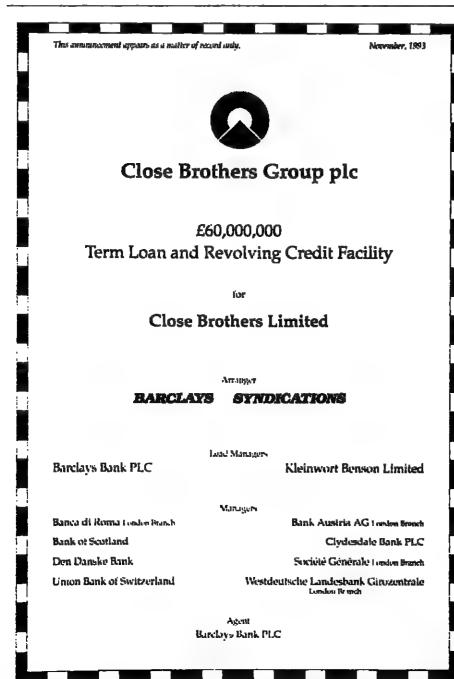
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Western Travel made a pretax profit of £1.86m on turnnet assets of 16.5m at that date. The company operates 650 buses and employs 1,700 peo-

Western Travel takes Stage-coach, which is based in Perth, into three new geographical

Its C&C subsidiary operates in Cheltenham, Gloucester, Swindon and Stroud; Midland Red (South) is in Warwickshire and north Oxfordshire, operates in rural South

| | CROSS BORDS | R MALA DEALS | arminga <u>.</u> | 1.50 |
|---|----------------------------------|------------------------|------------------|---------------------------------|
| NODER/INVESTOR | TARGET | SECTOR . | VALUE | COMMENT |
| Deutsche Bank (Germany) | Banca Popolare di Lecco (taly) | Benking. | 2186m | Buying controlling |
| Grupa Synkro (Mexica) | Kayeer-Roth (US) | Hostery | £156.4m | Continues Mexican buying-abroad |
| William & Gibbs (US) | Unit of BTR (UK) | Wholesale distribution | 280.5m | BTR concentrating resources |
| Wheatley TXT (US) | Unit of Harson (UK/US) | Oil equipment | . £56m | Begins peripheral disposals |
| Corporate Express (US) | Unit of Hamon (UK/US) | Stationery | 2110m | in debt outting drive |
| PSC (UIC/Owire Pacific Floring Kong) | Shekou Container Port (China) | Materials handling | 254m | Each to take 25% |
| Case dia Franca Franca) | Noverco (Cenada) | Ges. dietributioni | 250.5m | - Taking 24% stake |
| Pepelco (US) | Kentucky Fried Chicken (UK) | Catering | est 240m | Buying out Forte |
| Citic Pacific (China) | Swire Aviation (HIC) | Air cargo | £10.1m | Chine's HK . expension continue |
| Stemene (Germany) | Interautometika | Engineering | n/a | Taking 31% stake |



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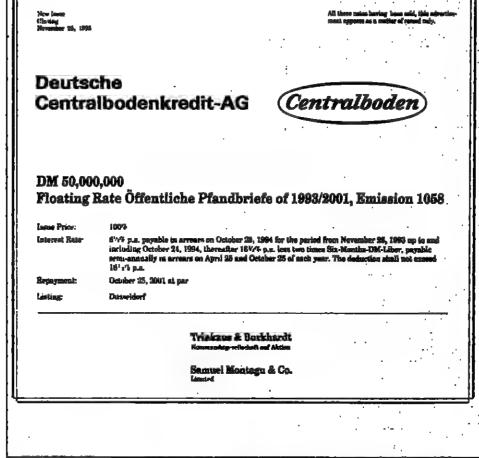
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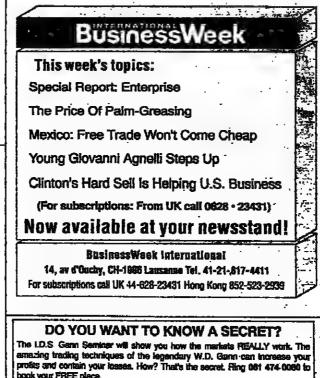
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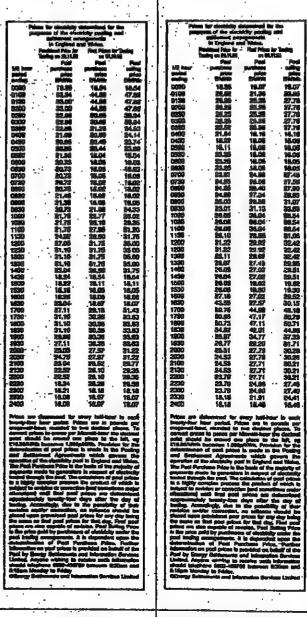
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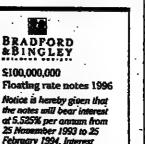
Bankers Trust Company, London











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The Markets

THIS WEEK

Global Investor / Peter Martin

Why Japan isn't a bargain – yet



outlook ifor Japan have to get before the pessimism is overdone and the country starts to look

The economic statistics due out this week - unemployment, car registrations, maybe third-quarter GDP - will provide one answer. But there is also a simpler, more cynical answer: it depends on when the government starts buying. The feroclous bear squeeze of summer 1992, instigated to prop up the banking system and burn the fingers of westerners who believed the market had further to fall shows just how rapidly the stock market can move when the government is determined to push it upwards. Then, the Nikkei index went from about 14,900 to nearly 19,000 in a matter of

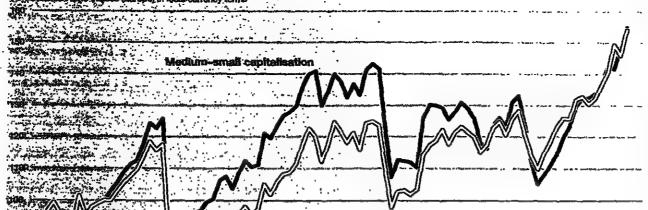
In the past month, the Nikkei has fallen almost as fast as it rose then. It closed on Friday at 16,726.4, only 17 per cent higher than its low point of August 1992.

The speed of the decline owes something to the decision to replace the 225-share index with a more modern Nikkei 300, a move intended to make it harder to manipulate the index by dealing in the illiquid stocks that formed a high proportion of its contents. With no reason to hold these stocks, their price has plunged, driving the index

Still, that is only part of the Story. The broader Topix index has also fallen - down 15 per cent in the past month - a reflection of the crisis of confidence that has engulfed the Japanese markets as it has become clear that the economy has taken a further downward

The underlying economy is certainly suffering: JP Morgan

Large vs not so large in Europe's stock markets To Actionise World prigous (Europe) in local currency terms



traction in the Japanese economy until midway through next year and no better than singgish growth until at least the end of 1995. Corporate prof-its continue to slide. Falling share prices should make companies look cheap, but the drop in profits keeps price/earnings ratios at levels well above those in other developed countries. Though companies contimue to stress the need for cost cuts, they have not yet embarked on wholesale

restructuring.
From that point of view, Japan does not yet look like a bargain. Still, perceptions could change rapidly if the market started to move decisively upwards, under the stimulus of sustained government-led buying. So when will the government intervene? And will it work as well this time as it did in 1992?

There are two possible rea sons why the government has the market. One is that it sees

no need to as yet though the Nikkei is within striking distance of its 1992 lows, the Topix index is still comfortably above them; it would need to fall another 22 per cent before tt entered last year's danger zone. And last year's intervention had a specific purpose: to prop up the banks by preserving the value of their big holdings of securities. For most of

this year, with their Basle capi-

tal-adequacy ratios safely met,

fear about the banks has less-

ened. Perhaps a resurgence of concern about the banks, intensified by last week's poor results, will again produce a desire to prop them up. The second possible reason for the government's failure to encourage stock market support may well be more significant: political paralysis. The new coalition government may not share the belief of its predecessors in intervention to

prop up financial markets; or

crats and their new political

masters may be preventing around December 10. decisive action.

If the policy log-jam breaks government-inspired buying will probably be able to generate a new rally. As last year, this could be very substantial, especially if it coincides with further easing of monetary policy and a fresh commitment to stimulatory fiscal policy in

tainable than last year's stock market recovery, however, until there are clear signs of a double Japanese restructuring: a shift of the economy towards deregulation and domestic consumption; and a shift on the part of companies towards profits rather than revenue growth.

One important imminent test of the first of those restructurings will be public reaction to the secret deal to open part of the rice market to imports, to be announced saying over the weekend -

Two indicators that financial markets are starting to get above themselves: a brand-new Ferrari being delivered to an address in the City of London earlier this month; and the comment of a Swiss banker last week. "People are getting greedy," he said. The investment managers who work for him "think they are heroes, when all they are doing is following a trend."

Indicators

The Bundesbank meets on Thursday, accompanied by a clutch of economic indicators German unemployment figures, manufacturing output, and new orders. The year ahead is stuffed with German elections: including local, regional, European parliament, presidential and federal parliament elections, there are 20

political uncertainty to the growing belief that 1994 could be a year of further economic contraction, and further cuts in German interest rates seem

Traditionally, Germany only starts to emerge from recession when the yield curve is positively sloped - that is, when short-term interest rates are lower than long-term ones. Short-term rates are currently at 6% per cent, and long-term rates are nearly half a point lower. So, no recovery in sight yet.
Will it take a recovery in the

German economy to push smaller European stocks ahead of their larger counterparts? As the chart shows, the relative outperformance of smaller and medium-sized European shares ended at the beginning of 1992 and has yet to reappear. The chart is slightly misleading, however, second-tier Brit-ish stocks have outperformed their blue-chip rivals, an effect masked by the relative underperformance of smaller compa nies on the continent. The German industrial production and manufacturing output numbers, due out towards the end of the week, will give an indication of how Germany's export-oriented manufacturing heartland is doing. Though the biggest German companies are making heavy weather of their restructuring, their smaller compatriots do not face the same political scrutiny and have far less opportunity to delay the moment of decision. if second-tier German businesses are indeed responding urgently to the economic pressures they face, their share prices will in time start to

Evidence From an international investor's viewpoint, the contents of Kenneth Clarke's UK Budget this week are probably of less importance than the growing evidence that the Bank of Total return in local currency to 25/11/93

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| US | Japen | Germany | France | italy | UK | |
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| 0.06 | 0.05 | 0.12 | 0.13 | 0.17 | 0,11 | |
| 0,27 | 0.21 | 0.55 | 0.57 | 0.73 | 0.49 | |
| 4.00 | 3.59 | 7.69 | 8.94 | 13,44 | 6.69 | |
| year | | | | | | |
| -0.18 | 0.87 | 0.08 | -0.20 | -1.10 | -0.10 | |
| -0.69 | 1.45 | 1.01 | 0.32 | -1.62 | 0.73 | |
| 9.75 | 10.82 | 12.94 | 16.73 | 24.74 | 11.89 | |
| year | | | | | | |
| -0.96 | 0.42 | -0.27 | -0.29 | -2.30 | 0.59 | |
| -7.93 | 1.57 | 0.43 | -0.37 | 3.05 | 0.78 | |
| 13.76 | 13.02 | 16,51 | 22.23 | 32.38 | 17.41 | |
| | | | | | | |
| -0.3 | -5.1 | -1.8 | -1.2 | -2.0 | -0.8 | |
| -0.3 | -11.1 | -1.1 | -3.6 | -10.3 | -2.5 | |
| 10.2 | 15.5 | 37.1 | 30.6 | 32.5 | 21.3 | |
| | 0.06 0.27 4.00 year -0.18 -0.69 9.75 year -0.98 -1.93 13.76 | 0.06 0.05 0.27 0.21 4.00 3.59 year -0.18 0.87 -0.69 1.45 9.75 10.82 year -0.98 0.42 -1.93 1.57 13.78 13.02 -0.3 -5.1 -0.3 -11.1 | US Japen Germany 0.06 0.05 0.12 0.27 0.21 0.55 4.00 3.59 7.69 /ear -0.18 0.87 0.08 -0.69 1.45 1.01 9.75 10.82 12.94 year -0.98 0.42 -0.27 -1.93 1.57 0.43 13.76 13.02 16.51 -0.3 -5.1 -1.8 -0.3 -11.1 -1.1 | US Japen Germany France 0.06 0.05 0.12 0.13 0.27 0.21 0.55 U.57 4.00 3.59 7.69 8.94 /ear -0.18 0.87 0.08 -0.20 -0.69 1.45 1.01 0.32 9.75 10.82 12.94 16.73 year -0.98 0.42 -0.27 -0.29 -1.93 1.57 0.43 -0.37 13.76 13.02 16.51 22.23 -0.3 -5.1 -1.8 -1.2 -0.3 -11.1 -1.1 -3.6 | 0.06 0.05 0.12 0.13 0.17 0.27 0.21 0.55 0.57 0.73 4.00 3.59 7.69 8.94 13.44 year -0.18 0.87 0.08 -0.20 -1.10 0.59 1.45 1.01 0.32 -1.62 9.75 10.82 12.94 16.73 24.74 year -0.98 0.42 -0.27 -0.29 -2.30 -1.93 1.57 0.43 -0.37 10.86 13.76 13.02 16.51 22.23 32.38 -0.3 -5.1 -1.8 -1.2 -2.0 -0.3 -11.1 -1.1 -3.6 -10.3 | |

Best performing stocks from FT-A World Indices in local currency to 25/11/93

| | 🛦 change | | | |
|-------|----------|------|---------|----------------------------|
| Year | Month | Week | Close | |
| 154.5 | 68.5 | 40.0 | 3.64 | Bandar Raya Dev. (Mai) |
| n.a. | 27.2 | 25.8 | 18.10 | Moderna 'A' (Mex) |
| 137.8 | 15.5 | 21.0 | 6.35 | Multi-Purpose Hids (Mail) |
| 136.4 | 39.8 | 20.9 | 10.40 | Kelenamas Ind (Mal) |
| 132.4 | 20.6 | 19.4 | 6.40 | Chinese Estates (HK) |
| 15.7 | 34.1 | 19.2 | 14.88 | US Shoes (USA) |
| -31.6 | -33.1 | 17.0 | 1170.00 | Daishowa Paper (Jap) |
| 159.0 | 4.3 | 14.3 | 7.20 | Far East Levingstone (Sin) |
| -10.0 | 12.5 | 12.5 | 0.08 | Tasman Properties (NZ) |
| 71.6 | 30.7 | 12.2 | 5.76 | Coca-Cola Bev. (Can) |
| _ | | | | |

Source: Cash & Bonds - Lehman Brothers. Equities - © NarWest Securities The FT-Actuales World Indices ere jointly owned by the Financial Times Limited, Goldman Sachs & Co., and MatWest Securities Limited.

England is acquiring a flavour of autonomy. A truly independent central bank becomes so because of the attitudes and expectations of its leaders, the political classes and the electorate, not because of the nominal powers entrusted to it by law. It is not clear what the electorate thinks, but the new team at the Bank obviously belleves independence is a state of mind - and the politicisns are willing to give them some room to exercise it.

Deficit

A country with a truly independent central bank - Switzerland - is at last about to see a return to its traditional low inflation. Though Swiss inflation was still around 3% per cent in October, the November

figure should drop to around 2% per cent and, says Hans Kaufman of Bank Julius Bär in Zurich, it will drop below 11/2 per cent next year.

The growing government situation: the government bond issue is yielding 4.14 per cent, while the average yield on issues from private-sector Swiss corporations is only 4.12 per cent.

That unfavourable spread helps explain the need for Switzerland's new VAT, approved by the voters yesterday. The shift from a sales tax will help exporters, such as the pharmaceuticals and engineering companies, and hurt ser-vice businesses, including the banks, which will now have to charge VAT on their portfolio

Economics Notebook / Peter Norman

Clarke's first Budget looms out of statistical fog



The one near certainty about temorrow's Budget is that Kenneth Charke will put on a confident performance. The chancellor

is an effective parliamentarian who relishes his appearances at the despatch box. It is equally certain that his confidence will be based on

are of doubtful reliability and in others are simply unsound. Official figures suggest that Britain is experiencing an unusually steady if unspecta-cular recovery. But key numbers on trade, industrial production and national output could be concealing a different

statistics which in some cases

difficult because the introduction of the European single market has turned the figures on visible trade from one of the most to the about least reliable

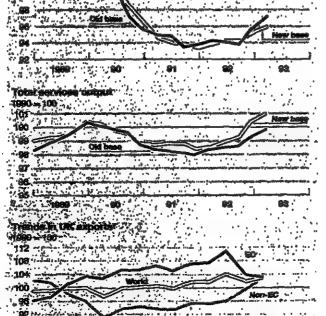
In October, for example, the Central Statistical Office judged that Britain's visible trade deficit had been widening for some time. A month later, its view was that the trend had been narrowing. However, the chancellor also

has problems knowing what is happening at home. The accompanying graphs from this month's Bank of England bulletin show that the official perception of the shape of Britain's recovery has change substantially since Mr Clarke

began Budget preparations.
Britain appeared in the summer to be having an ideal recovery, led by strong growth in manufacturing output that held out hopes of a greater share of national production going into exports and investment. The recovery now seems more akin to previous British upturns based on consumer demand and growth in ser-

According to the Bank, manufacturing output grew in real terms by about 1.5 per cent in the first half of this year compared with an earlier estimate of 2.7 per cent. Meanwhile service sector output, which accounts for 63 per cent of gross domestic product, is back above its recent peak of early 1990. Earlier statistics

Britain's recovery changes shape 1990 = 100



suggested it was half a per cent pound's depreciation.

Source: Bank of England

The changing shape of the recovery partly reflects changes in the price deflators used to calculate the volume

growth of exports and output. Statisticians, when they calculate the important volume indices that guide our understanding of the way an econ-omy is developing, do not count every unit of output. instead they take figures for the value of industrial production, retail sales and gross domestic product and deflate them by what they believe to

be the right prices. The Bank believes the export price figures may have been overestimated. The latest figures, showing an average 10 per cent year-on-year jump in export prices to world markets and a 12 per cent rise to non-EC countries, are high in the light of past experience of sterling devaluations when export prices rose by only about half the extent of the

"UK export volumes excluding oil and erratics as a ratio be SC/non-SC demand

If the Bank is right, the bottom graph becomes less puzzling. It shows that Britain's exports as a share of domestic demand in the European Union have fallen sharply since the

beginning of this year. This is difficult to explain, as exporters seem to be building up market share outside the EU and still enjoy some improvement in price competi-tiveness following sterling's exit from the European exchange rate mechanism in

September 1992. If export prices have risen less than the CSO figures suggest, manufacturing output and gross domestic product will have been higher than officially recorded.

There are also some doubts about domestic prices of manufactured goods. The Confederation of British Industry says official figures exaggerate the rise in manufactured goods prices for the home market because they fail to reflect dis-

Recent UK third quarter figures, showing falling unemployment, rising productivity and stagnant manufacturing output, are difficult to reconcile and could lend support to the idea that output is being under-recorded.

One explanation of the relatively feeble growth of UK manufacturing output in recent years may be sub-contracting by companies of activities that are not central to their main line of business.

The provision of a factory's meals by outside caterers rather than workshop canteens would, for example, lead to a fall in recorded industrial pro duction and an increase in UK service sector output.

Such a trend may be part of bigger problem of official statistics failing to reflect the growth and complexity of the service sector that is affecting the industrialised economies in general. It has been highlighted in a new book, "Statistics for the 21st Century", coauthored by Mr Joseph Dun-can, the chief economist and statistician of Dun & Bradstreet, the US business infor-

mation group.

Mr Duncan points out that the basic data collected to measure economic and social progress have remained essentially unchanged in spite of dramatic changes in business practices and the international economy

"Nobody would try to launch today's space shuttle using a set of instruments developed for the old DC-3 aircraft", he says. Yet he contends that governments, businesses and individuals are measuring and managing the economy in this

way. The doubts surrounding UK statistics this year may have a silver lining for Mr Clarke: there is a possibility that Britain has been growing at a faster rate than official indica-

But no-one can be content if Britain and other industrial counties are basing economic decisions of importance for the next century on statistical methods developed at the time of the DC-3.

*From Dun & Bradstreet, Economic Analysis Dept. PO Box 3938, New York, NY 10163-3938, \$14.95.

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NEW YORK

EQUITY MARKETS: This Week

Unanswered questions in energy sector

The share prices of the big energy companies could defy a falling oil price for only so long.

However, Priday's knee-jerk stock market reaction to last week's Opec meeting, which saw all the big US oil groups marked down, left two questions unanswered: which companies will come through the downturn the strongest, and has the stock market now factored in a sustained slump in the price of

The companies likely to do best are those that are least exposed to the US, and those which have the biggest downstream (refining and marketing) operations, says Mr Constantine Fliakos, an analyst at Merrill

Profits from non-US operations tend to hold up better because in some countries (such as Nigeria) oil companies trade on fixed margins. whatever the price. Also, higher production taxes outside the US leave foreign taxpayers picking up a higher proportion of any oil price

Integrated oil companies. meanwhile, can recover in higher downstream margins some of what they lose in lower upstream profits. It is difficult to predict how much downstream operations will benefit from lower prices.

If the oil companies were unable to recover any of the oil price fall through higher downstream margins, a \$1 drop in the price of a harrel of oil would take between 6 per cent and 7 per cent off the net income of Exxon or Royal Dutch/Shell, compared with a 14-15 per cent hit to British Petroleum or Texaco, estimates Mr

HIDICES AT A GLANCE

FT-SE 100

Wikken

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Dax

Dow Jones Ind.

Banca Com. Ital.

Richard Waters Dow Jones Industrial Army

Nov 1998

Last week's share price movements seem to reflect a belief that the oil price will rebound again. "If you thought this price was going to hold for the long term, you would mark the sector down a lot more." says Barciays de Zoete Wedd in

Mr Fliakos at Merrill, meanwhile, does not believe oil stocks have hit hottom yet.

"I would like to see some more damage done before I upgrade them again." Another 10 per cent off share prices would do, he says.

The US Christmas shopping season

got off to its official start last Friday - the day after Thanksgiving - with market expectations high for a solid, if not a bumper, year for most retailers. The retail stocks have already benefited from signs of stronger consumer demand during the third quarter. Also, analysts do not want to repeat

their mistakes of last year, when most were unprepared for the sharp post-election rise in spending at Mr Ed Johnson, at brokers Lynch Jones & Ryan, says he is conservative

in predicting a rise in sales of between 9 per cent and 10 per cent over last year. The market will be watching the behaviour of shoppers carefully to see if expectations such as these are

Since

Jan 1

+9.3

+21.3

+11.6 3,710.77.

-1.2 21.148.11

+32.5 2,095.58

+14.1 2,231.86

632,86

Percentage Change

Over 12

months

+13.5

+12.8

+34.4

+21.9

+22.3

-4.3 .

Over .

+0.1

-0.3

-8.8

-1.4

-1.1

-0.5

LONDON

A modest shift from caution to confidence

The London stock market is moving into its first autumn Budget week in a mood which turned confident last week, on the surface at least. The FT-SE 100 Share Index regained the 3,100 mark as the market made a belated response to the unexpected cut in UK base rates, and to the better news on the domestic economy and inflation trends.

Much of the improvement was rooted in the derivatives markets, where a very modest shift from caution to confidence was enough to propel the December contract sharply

Traders believe the new money was coming mainly from overseas funds. for which the Footsie future is but one of a range of global investment opportunities. There may have been ome contribution from the nawly-established Lloyds investment funds.

Trader balleys that one overses

fund was putting about £250m into UK equities via derivatives last week. If the new Lloyds funds are indeed active in UK equities, then a further 2800m or so could be in the offing. The question this morning will be whether the upturn in the futures

onthues. The December contract has established itself as a highly liquid and tradeable instrument for inves tors in a hurry, but this has a downside potential: money in can become money out very quickly. Technical pressures played a part in

futures at the end of last week. UK funds, and marketmaking firms, had been inclined to take defensive stances ahead of the Budget. The appearance of buyers for the futures caught the locals, or independent traders, on the wrong foot, and their efforts to buy ahead of the trend

11/12/92

1,469.75 14/12/92 2.095.58

404.25 15/12/92

29/1/93

20/1/93 3,710.77

2.231.86

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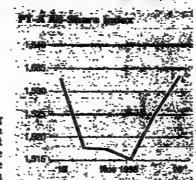
2.199.0 22/10/93

25/1/98 21,148.11 ...13/9/93 .16,287.45 ... 25/1/58

2/11/93

30/8/93

22/10/93 - 1,772.21



Terry Byland

merely drove prices yet higher.
All hinges on whether the optic continue to direct the equity market. With the Budget rate cut now pre-empted, the UK fund managers have braced themselves for an uncomfortable Budget, incorporating perhaps

23hn in tax rises. These domestic institutions did not show much sign of changing their minds last week. Now that there are fears that the Budget may bear down on consumers, fund managers were beginning to focus on protecting the paper profits achieved earlier in the year in these sectors.

The run-up to the first of the unified Budget speeches has been characterised by an unwillingness by investors to take up speculative positions.

The Budget could affect a wide range of investment possibilities for inves toes' liking advance corporation tax. VAT, excise duties, mira, personal on schemes

It's better to lie low, think the man agers, and wait for base rates to be cut again after Mr Kenneth Clarke has returned to his lair.

None of this has discouraged UK favourable year-end predictions on the market.

This week could be make or break time for forecasts that the Footale will close around 3,200 this year, let alone for those still adding 300 points on to

2737.8 18/1/93

12/1/93

29/1/93

1/1/93

16/11/93 3,241.95 20/1/93

1,516.50

446:23

Bank on Tuesday, and Dresdmer and Bayernhypo on Thursday.

MILAN The market waits for the pricing of ilie Credito Italiano privatisation due by Saturday. The Ferrizzi and on Tuesday and Wednesday are expected to approve the share capital

OTHER MARKETS

Markets will be keeping a wary eye on the European foreign mini

special Gati meeting on Thursday. Mr James Cornish of NatWest Securities commented: "As the

negotiations move into higher goar,

out with what looks like bad news. The good news will be saved for the

German stock market professionals

nts up shead

have been winding clients up shear of Thursday's Bundeshank meeting which, they say, should bring anot

cut in interest rates. This should

excite more interest in the banks,

already in the spotlight as their . .

10-month results reporting season continues after last week's

Commerciank progress report. Press conferences are scheduled by BHF

the end of the process."

FRANKFURT

there will be a whole series of special meetings which will probably come

AMSTERDAM

Third-quarter results are due on Thursday from ING, the financial services group whose shares soared to a record high early last month after the government sold its near-7 per cent stake.

STOCKHOLM

Nine-month figures come today from Atlas Copco, the tool manufacturing group. UBS is forecasting a 17 per cent rise in pre-tax profits, to SKr875m from last year's SKr75im.

TOKYO

Further technical salling is expected to depress shares ahead of the mber 10 settlement for stock futures and options. Although the Bank of Japan last week lowered short-term money market rates, nvestors will remain wary of further arbitrage selling and margin mwinding unless the government expresses its support for share prices.

MADRID

Tomorrow's final deadline for agreement in the social pact negotiations is expected to remove the uncertainty which has made for a volatile market in recent weeks.

RISK & REWARD

Distinction between hedges and futures becomes blurred



futures funds most succe funds are likely to be those which combine features of both types of invest-

ment vehicle. "It's getting harder and harder to pigeonhole fundaunder distinct categories such as hedge funds or futures funds," says Ms Nicola - says Ms Nicola managing director of Tass Management, which tracks futures funds.

Hedge funds, which combine cash and derivative instruments, lie somewhere in the middle of a continuum between low-leverage, traditional bonds-and-stocks funds and high-leverage derivativesonly fixtures funds.

Essentially, a hedge fund buys liquid assets - mostly equities, but also bonds, currencies and commodities - and hedges them against adverse market movements by selling derivatives against them. Hedge funds can use complex, speculative trading methods to maximise returns, including using isveraged funds – money borrowed against the value of assets - and hedging tech-

niques, such as short-selling. Futures funds invest mostly in futures and options in about 60 to 70 product markets internationally. They are mainly financial derivatives such as interest-rate or bond futures, but can include liquid commodifies contracts. Futures funds tend to be run by pools of fund managers whose investment decisions are often. based on complex quantitative computer models.

Both types of fund can exploit different market conditions with great flexibility. beauty is it's irrelevant what happens as we can go long or short in any market." savs Mr Gerald Richunsky, a director at Momentum UK, specialists in active management styles for hedge and futures

distinction of a classic hedge strategy between hedge involves buying some Japanese funds and stocks and selling the Nikkei stock index. This has proved to becomes be a successful strategy amid

increasingly the Nikkei's recent side blurred, the Most importantly, both types of funds share what Mr Bichunsky calls active investment styles. "People are looking less at asset class and are increasingly focusing on investment style."

While a passive investor might simply seek to track a bond or stock index an active fund manager will aim to aggressively outperform his benchmark. Thus, the more active the management style, the more powerful the risk-re-ward profile will be.

However, an important difference remains in the range of instruments in which either fund can invest, with hedge funds able to spread themseives more broadly across cash and derivatives marke and use a more diverse set of

strategies and styles. "Good futures fund manag ers will move increasingly into cash," leaving less of a distinction between the two types of fimd, says a fund manager at a large London-based hedge fund. While some futures funds put on stumning performances this year, they have been out-performed by hedge funds over the long run.

Thanks to the flexibility of their instruments, the number of long-term consistently successful hedge fund managers is higher than the number of consistently successful futures fund managers," says Momen-tum's Mr Bichunsky.

This year's bull run in global stock and boud markets has helped lift hedge funds' performance, and some say these funds may find it herder to make money in cash markets when the rallies ebb. "We've had a terrific rally in

stocks and bonds, but as a

hedge fund, what do you do

next year?" asks Mr Peter

Swets, chairman of Sabre Fund

Conner Middelmann

COMPAGNIE GENERALE DES ETABLISSEMENTS MICHELIN

MICHELIN ET CIE.

Closin

3,111.4

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price

FRF 1,500,000,000 6% Convertible Notes due 1996

Hulders of the FRF 1.500,000,000 six per cent Notes of Compagate Genérale des Eachtes, prents Michelle (the "Company") resued outside France in August 1958 and convertible rate "B" shares of the Company are hereby invited to attend a General Meeting of Bondholders on December 14, 1993 at 11 am at the registered office of the Company in France, at Chemost Fernand (Puy-de-Dôme), 12, cours Sablon, in order to decide upon the following agenda:

- Report of the Curanes.
- Report of the Conseil de surveillance; Approval, if need be, of the authorisation given by the Shateholders of the Computy is written their preferential right to subscribe to:
- convertele busile up to a maximum nominal amount of FRF 6,000,000,000 (e bonds, for a maximum nominal amount of FRF 6,000,000,000 (or their consternable in associated carries), with warrants smoked group right to their helders in subscribe to "B" thates up to a maximum nominal amount of FRF 540,000,000;
- securities, for a maximum autural amount of FRF 6,000,000,000, entiting their holders to univertise to accurate representing a person of the Company's share capital, or to any other securities giving right to "B" shares to be assent, up to a maximum mentical amount of FRF 548.070,000; warrants caching their bolders to selectibe to "B" shares up to a stamma necessal amount of FRF VIOLITATION.

The General Meeting of December 14, 1993 will not be validly held unless one half of the aggregated principal amount of the reststandors arises are represented at the Meeting, if such is not the case, or stell-likers are burleys aboved that they are invited to attend a new General Meeting, for which above quarted is attend as one General Meeting, for which as quartifies a special a buth would be held on December 22. 993 at the same place, same time and with the same agrada.

In order to mend or to be represented at these Meetings, Notebookless should at least five show before the date of the Macing, give coolence of the depoint of their notes by their formeral intermediate at any of the following species.

Bangar Panbus, Cròdi Suzza: First Hoston Ernfed, Dentache Bank Capital Marintu Lacited, Morgan Statiev International, BNP Capital Markets Lamited, Crédit Commercial de France, Salandon Brozhers International Lamited, SBCI Souro Bank Corporation Intertweet Banking, Sci. Warburg Scientifes, Aerstechtin-Rotterdam Bank N.V., Banque Brunelles Lacibyrt S.A., Bayerische Vereinsbank Barn N. V., Banque Brancilles Lambert S. V., Bayerische Vereunsbank Ahterngesellschaft, Cause des Deputs et Contegnations, Credit Lymnasis, Dawn Jamye Lamtod, Drecher Bark Ahterngesellschaft, Erskilds Scentitier Standameiden Erskilds Lamted, Goldrein Sachs International Corp., Merrill Lynch International & Co., I.P. Morque Scentifics Ltd. Neutral International Limited, N.M. Rothschild & Sons Lamand, Shearen Lehrem Hotton International, Sonsia, Generale, Union Bark of Smitzerland (Secretic Union Bark) (International (International Competition Competitio

The first of the reports and of the totologous proposed to the Mosting, are available for the Noteholders at the regarded office of the Company

A Nationwide

Nationwide Building Society

(the "Society")

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£100,000,000

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(the "Notes")

(Issued by Anglia Building Society)

(Issued by Angla Building Society)

NOTICE IS HEREBY GIVEN THAT, pursuant to Condition 5(c) of the Notes, the Society will, at the option of any Noteholder, redeem any Notehold by such Noteholder at its principal amount on the next interest Payment Date, January 21, 1994 (thin "Exercise Date"). Pollowing the redemption of any such Note, all unmatured Coupons appertaining thereto (whether or not attached) shall become void and no payment shall be made in respect thereof. To exercise such option, a Noteholder must deposit any Note(s) together with any unmatured Coupons appertaining thereto, with the Paying Agent from whom payment is required or to the order of such Paying Agent with a bank or depositary approved by it, at any time in the particle from and Including November 22, 1993 to and including December 17, 1993 boting the 35th day before the Evencise Oate.

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By: The Chase Manhatten Benk, N.A. London, Principal Paying Agent

November 29, 1993

FT CONFERENCES

PENSIONS - A Time for Change London, 7 & 8 December

3,198.0 22/10/93 2,716.20

2/11/93

30/8/93

18/11/93 3,241.95

13/9/98 16.287.45

22/10/93 - 1,772.21

Following the publication of the Goode Committee's Report, the conference will discuss key issues of concern to pension fund in a climate of low inflation. Mr William Hague MP, Department of Social Security will give the opening address and speakers include: Mr Tom Ross, Clay & Partners; Mr Brian Matthews, ESN Pension Management Group; Mr Hugh Stevenson, Mercury Asset Management Group pic; Mr Flori Spill, Legal & General Assurance Society Limited and Mr Rodney Dennis, Prudential Portiolio Managers Limited.

WORLD TELECOMMUNICATIONS

London, 7 & 8 December The conference debate will focus on the trends changing the shape of the world telecommunications industry, with particular emphasis on regulation and the methods, challenges and obstacles of privatisation. Speakers include:

Mr Don Cruickshank, Director General of OFTEL, Mr James H Quello, Chairman of the Federal Communications Commission Mr Marc Dandelot, Conseiller d'Etat, French Ministry of Posts and Telecommunications, Mr Pál Horváth, Director General of the Hungarian Telecommunications Company; Mr Bessel Kok, Chief Executive Officer of Belgacom and Mr Merrill Tutton, President, AT&T

THE OUTLOOK FOR NATURAL GAS IN THE 1990s AND BEYOND

Vienna, 13 & 14 December

This topical meeting will consider developments in key markets evaluate supply and demand, and examine the amencing of gas projects. Speakers include: Mr David Pearce, Shell International Gas Limited; Dr Fritz Volgt, Exxon Company International; Mr Peter Melibye, Statoil; Mr Herbert Detharding. Wintershall AG; Mr Robert Kelly, Enron Corp and Mr Jean-Marte Dauger, Gaz de France.

RESOURCE MANAGEMENT IN THE PUBLIC SECTOR London, 7 February 1994

This conference will examine the opportunities for setting services to the public sector and how a successful and enduring perinership can be built between the public and private sectors to the advantage of both.

CABLE AND SATELLITE BROADCASTING

London, 15 & 16 February 1994 The 1994 event will concentrate on international competition in media markets, changing technologies and the implications of the digital and compression revolution as well as commercial programming and new

ministrument charmels. COMMERCIAL AVIATION IN THE ASIA-PACIFIC REGION

Singapore, 20 & 21 February 1994 This biennial meeting, timed to coincide with the Asian Aerospace & Defence Technology Exhibition, brings together expert speakers to discuss the rapid growth of commercial aviation in the Asia-Pacific region and consider the impact of this expansion on the demand for

new sidiners, additional airports and improved infrastructure.

LONDON MOTOR CONFERENCE London, 21 February 1994

The ninth in a highly successful series, the 1994 conference will discuss issues of concern for the European motor manufacturers and component suppliers, review developments in motor retailing and consider how the industry is coping with the recession.

All enquiries should be addressed to : Financial Times Conference Organisation, 102-108 Clerkenwell Road, London EC1M 5SA. Tel: 071 814 9770 (24 hour answering service) Teles: 27347 FTCONF G Fax: 071 873 3975/3969

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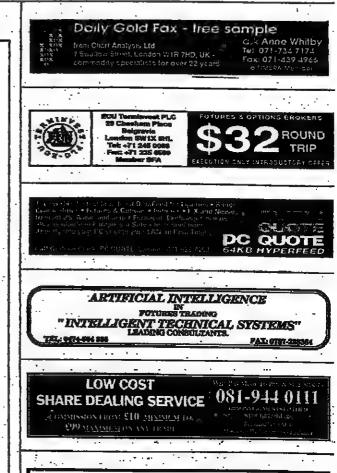
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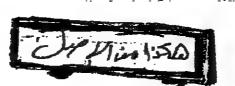
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and the state of t The Emerging Investor / David Pilling

Keeping an eye on the old tiger

In Latin American terms, Chile is considered the "old tiger" of capital markets. No longer as dynamic as more sprightly counterparts such as Peru, Chile has a market sophistication unparalleled on the conti-

Such maturity is manifested in several ways. The market capitalisation of the Santiago stock exchange, at about \$36.5bn (£24.4bn), is \$5 per cent of GDP — much larger in relative terms than that of, for example, Mexico.

The exchange, or bolsa, is underpinned by a strong institutional base lacking else-where on the continent. Private pension funds (AFPs) - to which Chileans are theoretically obliged to commit 10 per cent of their wages - have accumulated nearly \$15m ha funds and are expanding by \$300m a month. Local companies regularly tap the solid - if sometimes illiquid - local mar-ket through the issue of equity as well as medium and long-term paper. Corporate bonds, denominated in indexlinked Unidades de Fomento. carry a coupon of anything

between 7 and 12 per cent. Chile was last year the first Latin American country to obtain an investment grade rating of BBB, and there is already talk of a further upgrade. Likewise Endesa, the electricity company, became the continent's first private investment grade.

largely on hopes of ratings upgrades in both countries. But, says Mr Alfredo Viegas, senior analyst at Salomon Brothers, this does not mean that Chile should be ignored, particularly later in 1994 when the prospects of Chile's accession to Nafta should become

"We still firmly believe that Chile is the most structurally advanced economy in Latin America. Growth is primarily financed through internal savings, which is the sort we see in many of the Pacific Rim countries, and the type that ultimately leads to a rising standard of living," says Mr

Such fundamentals have produced jolting, though signifi-cant, gains on the bolsa this year. The IPSA index of the 40 most traded shares, reset at 100 each year, closed on Friday at 139.65, a 27 per cent gain in dollar terms.

Volumes have remained low, averaging only \$8m a day, mainly because of the domination of the AFPs which tend to ait on their equity purchases. Most trading is concentrated

| | | | | _ | | | | | | |
|---|-----------------------------|---------|-----------|--------------|---------------|--|--|--|--|--|
| ch features separate Chile most of its neighbours. | Ten best | perform | ing stoci | stocks | | | | | | |
| s almost like having an a economy in the heart of | Stock | Constry | Pristury | Week on week | k change % | | | | | |
| America," says one ana- | Mgcc | Turkey | 13.8839 | +3.07 | +28.38 | | | | | |
| | Enegit Demir Ve Cellik | Turkey | 0.4770 | +0.08 | +21.40 | | | | | |
| or the engaged of the | Cla Sudamericana de Vapores | Chile | 1,0243 | +0.15 | ¥10.63 | | | | | |
| er the approval of the | Kordonn . | Turkey | 0.4486 | +0.08 | +15.21 | | | | | |
| h American Free Trade | Petrtobes (pfd) | Brazil | 0.1745 | +0.01 | +14.88 | | | | | |
| ement, investors are likely | Citra (A) | Mexico | 3.0201 | ⊬0.36 | +13,67 | | | | | |
| cus on Mexico and, to a | Michaniki | Graeca | 48.0652 | +5.22 | +12.18 | | | | | |
| r extent, Argentina, | Culcurova Elektrik | Turkey | 1.0324 | +0.10 | +10.15 | | | | | |
| ly on hopes of ratings | Grupo Ficiero Banamex-Acciv | Mendon | 6.1205 | +0.52 | +0.26 | | | | | |
| ades in both countries. | Cifra (C) | Minden | 2.8080 | +0.23 | +9.11 | | | | | |

on very few companies, the three principal sectors of activity being electricity (30 per cent), telecommunications (16 per cent) and petrochemicals

(10 per cent). Mr Viegas expects a quiet first half to 1994, with greater interest later. With an average p/e of 16.8 on projected 1993 earnings, Santiago is Latin America's most expensive exchange, but Salomon is nevertheless forecasting real gains of 15-20 per cent next year.

Neither imminent presidential and parliamentary elections - on December 11 - nor the prospect of lower economic growth in 1994, are likely to cloud long-term horizons. "Good corporate (undamentals mean that the larger, wellmanaged companies will con-tinue to do well even in leaner times," says Mr Viegas.

Chile's economy is expected to grow by 4-5 per cent next year, against projected growth of 6 per cent in 1993 and 10.4 per cent in 1992. Next year's

tier stock, extending their scope to around 200 companies from the 40 blue-chips cur-rently permitted. They will be allowed to provide venture capital, project funding and to expand their international investments to corporate bonds and equity.

Mr Villarzú has also hinted that, given the country's \$10bn external reserves, now may be the time to lift remaining exchange controls which oblige foreign investors to leave money in Chile for at least a

Given the steady appreciation of the peso. Mr Villarzu probably figures that it may be no bad thing to give foreign capital an escape route. He has also hinted at the possibility of lowering interest rates in order to further stimulate investment - already at historic highs - and to ease pressure on the peso by reducing the differential between domestic and international rates.

Cheaper money might also help to stem the flow of American Depository Receipt issues, all the rage in Santiago. The quantity of companies lining up to raise capital on the New York stock exchange has become a source of frustration for some local investors, according to Mr Vlegas.

According to Mr Daniel Yarur, deputy chairman of the securities and exchange commission, the old tiger may have a bit of life in it yet.

India

Confidence is riding high after the Bombay stock exchan rose by 5 per cent last Friday, hitting a new 14-month high. Foreign buyers are thought to have become active buyers in recent weeks, says Maryam Mansoury of Lehman Brothers, with some switching of funds out of south-east Asia evident A more stable political

environment has also led to an improvement in sentiment. with the Congress party forecast to do better than expected in the current round

srae

The public offering of a 10 per cent stake in Bank Leumi has been delayed. The offer was due to have started today but has now been postponed until January. This follows the failure of the offering in Bank Hapoalim, the country's

Thailand

Phatra Thanakit, one of the country's leading stockbrokers, has been fined Bt40m (\$1.6m) for breaking stock exchange rules. The fine is believed to be the largest ever imposed by the authorities.

The broker automatically channelled a stock order from a sub-broker onto the market instead of re-keying the order onto its own computers.

Taiwan

Restrictions on remittances

Reforms have been announced which aim to ease restraints on foreign investment in the country's financial markets,



News round-up

of capital gains and principal out of Taiwan by foreign investors will be removed. The government is also resuming its stalled privatisation programme by offering a 15 per cent stake,

China

worth T\$972m (\$36m), in

Chung Kuo Insurance.

China plans to free state-owned companies from government control, making them into legal entities with clear lines of responsibility over strategy for profit and the use of company assets,

South Korea

The Economic Planning Board is drawing up plans for the privatisation of at least 40 of the 134 companies in which the state owns a stake in response to demands by President Kim Young-sam for reform of the state sector.

■ Greece

Trading in the Aegek civil engineering group begins on the Athens bourse today. Aegek's three main shareholders own 80 per cent of the share capital after the company's initial public offering earlier this month

which raised about 150 times the Dr1.59hn (\$6.5m) sought, with 532,500 new shares

Argentina

A price of 5.30 pesos per share has been set for the government's sale of its emaining 30 per cent stake in the Central Puerto electricity utility.

Russia

Plans are in preparation to sell a big stake in the Lada car plant, and 50 per cent of the shares could be sold before the end of this year, with foreigners being permitted to take a stake.

The sale of AvtoVAZ is likely to be a combination of a voucher auction and an investment tender, offering some shares in exchange for privatisation vouchers held by Russian citizens.

Turkey

investors are preparing for a small bang when the stock exchange begins a switch to computerised trading on Friday. The exchange is to introduce automated price matching on 50 less active

Sterling awaits outcome of Budget

Very few UK investors are looking acy of his predecessor. There was a beyond tomorrow's Budget but the rest growing conviction that he could do of the world must take a wider view of little more than increase the tax factors that will impinge on the cur-

In the US, for example, monthly employment figures on Friday could provide the dollar with the chance it needs to break out of its present narrow

The UK Budget initially had as much appeal as a washing machine on slow that Mr Kenneth Clarks, the chanceller,

burden a little and cut rates by a smid-

Tuesday's surprise half-point cut in base rates to 5.5 per cent has seen uncertainty and drama return. Does Tuesday's coded message that the chan-cellor had taken "full account" of the budget mean there will be no more good news on rates? Will the fiscal squeeze be so tight that it will have to be balanced by another half-point was backed into a tight corner by cur-rent low interest rates and the tax age. What focs it mean for starling?

Last week, the pound defied the conventional wisdom that lower rates lead to weaker currencies. The rate cut was heavily discounted in money market lending rates so the pound rose against leading currencies.

The chances of sterling pulling off the same coup twice in a short period are slim. Most economists agree that while base rates of 5 per cent might not be detrimental to the pound they would

give pause for thought. The second focus of the week will come on Friday when the US releases

relatively poor performance -

measured against exceptional average growth of 6.5 per cent

over the past decade - is pri-

marily the result of weak inter-

national prices for Chile's three main exports, namely

copper, cellulose and fishmeal. Slowdown is most unlikely

to produce a change of eco-

nomic course. Presidential

frontrunner Mr Eduardo Frei,

candidate of the governing Christian Democrat-led coali-

tion, is committed to continu-

ing the tight fiscal and mone-

tary policies of the present

In the medium term, a Frei

administration is likely to accelerate economic reform.

Mr Juan Villarzů, Mr Frei's

economic adviser and the man

widely tipped to be the next finance minister, is keen to

push through capital market

reforms, currently languishing

in congress. These aim to

broaden investment options for

pension and insurance funds.

Institutional investors will

administration.

important pointer to the direction the US economy is taking and economists are looking for a rise in jobs over the month of between 150,000 and 200,000.

The dollar has been within in a tight range against the D-Mark of between DM1.68 and DM1.72 for some time and a higher than forecast jobs figure could send the currency into new territory.

Finally the Bundesbank council is to meet on Thursday and there are some hopes it might reduce the Lombard and discount rates, although most econoits non-farm payroll data for November. mists forecast no further cut b The figure is considered to be the most next meeting on December 16. mists forecast no further cut before the

| | | Week on week | | Month on month | | Year to day | |
|-------------------|----------|--------------|---------------|-------------------|---------|-------------|-------|
| Index | 26/11/93 | Action | Percent | Actual | Porgani | Actual | Parc |
| World (239) | 143.53 | -1.17 | -0.81 | +11.01 | 1-8,31 | +42.47 | +42, |
| Latin America | | | | | | | |
| Argentina (19) | 99,77 | -7.83 | -7.42 | -5,30 | -5.14 | +23.51 | 431. |
| Brazil (18) | 140.72 | +2.72 | +1.97 | +25.62 | +23.53 | +62.81 | +80. |
| Chile (12) | 130.31 | -0.87 | -0.66 | 44.06 | +3,87 | +19.02 | +17. |
| Mexico (22) | 138,15 | +2.78 | +2.05 | +11.80 | +9.34 | +20.41 | +17. |
| Latin America (71 |) 133.29 | +0.42 | +0.31 | +12.20 | +10.07 | +32.92 | +32, |
| Europe | | | | | | | |
| Greece (14) | 78.33 | -1.14 | -1.43 | -2.71 | 0.35 | +8.18 | +11. |
| Portugal (13) | 112.24 | -1.58 | -1.39 | +0.21 | +0.19 | +28.23 | +33. |
| Turkey (22) | 142.97 | +7.14 | +5.2 6 | +25,19 | +21,39 | +89.10 | +165. |
| Europe (49) | 108.41 | +0.48 | +0.44 | +4.74 | +4.66 | +35.29 | +51. |
| Adda | | | | | | | |
| (ndonesia (17) | 156.06 | -4,53 | -2.70 | +13.98 | +9.64 | +58.62 | +60. |
| Korea (23) | 95.51 | -2.35 | 2.40 | +5.62 | +8.25 | •€.9O | +7. |
| Malaysia (21) | 206,63 | 4.94 | -2.33 | +6.16 | +3.07 | +77.60 | 480. |
| Phillippines (9) | 229.69 | +3.54 | ♦1.57 | +22.70 | +10.97 | +107-23 | +87. |
| Theiland (20) | 213,41 | -10.80 | -4.82 | +29.01 | +15.79 | +91.15 | +74. |
| Talwan (29) | 94.61 | -1.38 | -1,44 | +1.5 9 | +1.71 | +18.65 | +24. |
| Asia (119) | 174.63 | -4.50 | -2.51 | +11.14 | +6.82 | +82.04 | +55 |

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key ourrancies on Priday November 26, 1989 . In some cases the rate is nominal. Market rates are the everage of buying and setting rates except when they are story are story. 1846.77 110.223 24.0940 5.9121 130.855 6004.10 2,7054 0.8966 1.7856 1,6084 12,0436 178.100 4.7500 207.00 10070.10 4.0041 1.4780 2.6546 1.2340 17.825 C.5558 1082-55 1.4800
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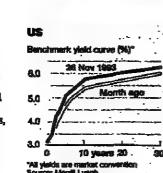
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Just how strongly the US economy is growing will become clearer this week, as the first economic data for November are published.

Since its record low of 5.78 per cent on October 15, the long bond's yield had climbed to 6.83 per cent by last Monday. In the circumstances. the nine basis point fall in yield by last Friday, thanks largely to Opec's failure to agree production limits. marked an important recovery.

The market is braced for either a continuation of, or a slight increase in, the pace of economic activity in October, Anything which suggests the economy is moving ahead at a sharply higher level would weaken

Revised third-quarter GDP figures on Wednesday are expected to show a modest increase on the 2.8 per cent growth rate reported, with most estimates at between 2.9 per cent and 3.1 per cent. The some day brings the survey of the National Association



Richard Waters

of Purchasing Managers for November. The NAPM index, which jumped to 53.9 in October from 49.8 in September, is projected to rise to anything from 54-56.5. employment figures will provide the last hig test of the week. Bond market economists expect non-farm payrolls, which grew by 177,000 in October, to show an increase

of anything from 175,00-230,000.

economic news can the bond market take?

The consensus among City economists is that Mr Kenneth Clarke, the chancellor of the exchequer, will appounce in tomorrow's Budget tax increases of amounting to about £2bn. These would come on top of the £6.7bm of increases due to take effect from next April. The tightening of policy

LONDON

which such a strategy would entail is one reason why gilts have performed well in the past month, with yields continuing their downward path of the past year. Another reason is the subdued state of inflationary pressures in Britain, which many economists believe will continue for some time. However, gilts specialists

would not like to see Mr Clarke tighten the screw too much in terms of higher taxation. This could push the economy into a long period of low activity, which could mean the public sector borrowing requirement stays high. This would be bad for gilt prices

Benchmark yield covie (19 D 5 Years 20 25

The consensus is that the deficit, set for about \$50km this financial year, will full to about £40bn in 1994-95. A figure of this order is likely to be projected by the Treasury **Budget**, the Treasury forecasts

On Budget day, the Bank of England announces gilt-edged stock to be sold in its next suction on December 8. It said on Friday an in the maturity range between 2002 and 2006 would go on sale.

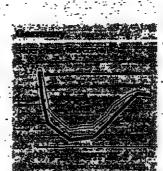
FRANKFURT

The Bond market faces a nervous fortnight. This week and next traders will be overwhelmed with statistics on the German economy. They include new orders, production and the GDP figure for the third quarter.

On Thursday, the Bundesbank policy-making council holds its penultimate meeting of the year. The market has priced in a further generous cut in the discount this year - but will it come? Latest inflation data

released last Friday, was good. - an annual 3.7 per cent. This was the fourth month in a row growth had alowed. As Mr Johann Gaddum, Bundesh vice-president, hinted last Thursday, this may mean Germany is over the hump on inflation, pointing to further easing of monetary

policy. Working against this last week were hard-line speeches Bundesbank president, and the fact that the fixed-rate



David Waller

repo, at 8.25 per cent, down four basis points on the previous week, apparently pointed to a more restrained pace of cuts. Growth in October M2 money supply was

higher than expected.

If the Bundesbank delivers no cut, the Bund market will have to faces all its hopes on the one remaining council. meeting, scheduled for December 16. This may lead to nervousness in the long end. There may still be nervouse if the Bundesbank does deliver

Japanese government bonds can expect continued support this week from increases in money market liquidity as the Bank of Japan attempts to stem deteriorating investor

TOKYO

confidence in the financial Worries about the banking system have pushed the leading Nikkel 225 index down through the psychologically important level of 17,000 for the first time since March 5. Investors expect further bechnical selling to depress

the index ahead of the

settlement of stock futures

and options contracts on December 10. Bond investors expect continued efforts by the Bank. which last week supported the Tokyo market by adding Equidity to the money markets and allowing short term Investors will also focus on talks in the upper house over the political reform bill. Although the bill passed the lower house on November 18.

talks in the upper house look

Bentances restrance (%)

Emiko Terazono

as if they could drag

Mr Morihiro Hosokawa, prime minister, has indicated that he would resign if the bill did not pass this year. If the upper house fails to vote on the bill, decision-making on fiscal stimulus, including an income tax cut, is likely to be postponed, severely damaging

A spate of economic figures, scheduled to be released on Tuesday, are likely to confirm further economic

Capital & Credit / Sara Webb

Gilt market awaits chancellor's lead

tomorrow's Budget to make the gilt-edged market really

happy? There has been plenty of speculation about what the Chancellor may or may not if those in the gilt-edged mar-ket could have their way, there are a few important points on which they would like some reassurance

in one respect their prayers have been answered. Last Tuesday, the Bank of England delivered a half-point interest rate cut, lowering the base rate to 5.5 per cent from 6 per cent. That cut had been priced into the glit market, although its timing came as a surprise since many had thought an interest rate cut was more likely to come in conjunction with the Budget or shortly afterwards.

Now, while the gilt market would probably like to see a further cut in the base rate, most economists consider it extremely unlikely that there will be unother cut at

NEW ISSUE

However, looking ahead, many in the market believe base rates could fall to 5 per cent by the first quarter of 1994, while Mr Roger Bootle, chief economist at Midland Global Markets, is putting his

money on a 4 per cent base rate "at some point next year". With the focus temporarily off the base rate, the gilt market will be listening carefully for what Mr Renneth Clarke has to say about certain important figures - namely inflation and the Public Sector Borrow-

ing Requirement (PSBR). The latest inflation figure for October - came in at a better-than-expected L4 per cent, down from 1.8 per cent in Sep-The market will be looking

for confirmation of a low-inflation background in the Budget speech . . . the inflation figures have been better than expected recently, and if Mr Clarke thinks this will continue, then gilts would be delighted," says one gilt-edged

Mr Simon Briscoe, economist at S.G. Warburg Securities, believes it is vital for the chancellor to re-emphasise the 1 per cent to 4 per cent range for the inflation target (for the RPI excluding mortgage interest payments). It would be a huge mistake to be seen to be soften-ing up on this, the centre-piece of post-ERM policy," Mr Bris-

coe says.

As for the other numbers, there has been planty of talk in the market about fiscal tightening: estimates range from about £1bn to about £4bn.

Mr Ifty Islam, UK economist at Merrill Lynch, argues there is probably a minimum amount of about 23bn which would keep the gilt market happy. "Two billion pounds is a small tightening, but the main thing here is sentiment so, if the government tightens by less than that, the market will be disappointed. However, a net tax rise of £3bn-£4bn on top of the £6.725bn aiready announced would be taken quite well by the gilt market,"

Overall, however, the market will be looking at the size of the PSBR with a view to just how much gilt funding the Bank of England will have to conduct in the remainder of

Most economists expect the

this year and next year.

chancellor to scale back the original PSBR forecast for 1993-94 of £50bm to £45bm-£48bm, helped by a faster-than-expec-ted recovery (which has lifted tax receipts) and lower debtservicing costs. The initial reaction to a PSBR of £50hn was one of horror, and fear that the glit market would be swamped with new supply. With the benefit of hindsight, the reaction was over-done, and the gilt market has coped well with heavy new supply. It coped so well, that the Bank has succeeded in funding most of this year's requirement. Even so, "an expenditure undershoot would be good news", said Mr Briscoe.

The market will want to see a reduction in the PSER fore-east for 1994-95. Back in March, a figure of 244bn was mooted.

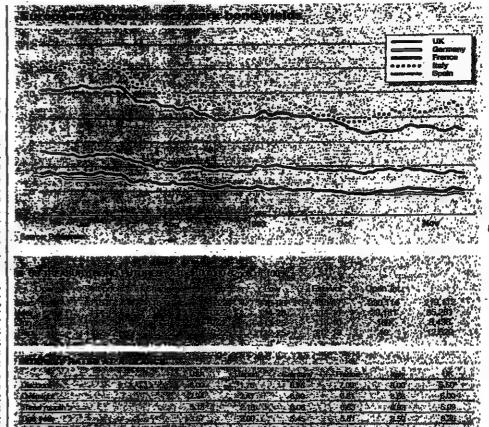
NOWENGER, 1983

Now, economists in the City think it could be closer to 239hn-£40hn.

In conjunction with these figares, the market would probe bly welcome a clarification on the funding calendar. The Bank has been forced to bold more frequent gilt auctions in recent months because of the amount of funding which had to be completed.

However, some glit specialists feel the time has come to re-think the procedure, given the low cover ratio at some recent auctions

"In the last year, auctions and taps have accounted for roughly equal amounts of funding. While this gives maximum flexibility to the Bank, it means investors feel no great urge to bid in auctions as it is always perceived that a tap is just around the corner," says Mr Briscoe. He suggests the Bank should consider moving to a system where it holds monthly auctions at which it sells smaller amounts of several different maturity stocks,



International / Antonia Sharpe

Therefore, an increasing num-

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FRN sector is fashionable again

The floating-rate note (FRN) ing rate below the London Floating rate motes. tively large amounts in the speciacular recovery over the last two years, is expected to continue to flourish in 1994, especially if forecasts of a rise

Volume of Eurodollar FRN new issues has risen to \$48bn new issues has risen to \$450n so far this year from \$25.4bn in the whole of last year. This compares with just \$4bn in 1991, when the market was still suffering from the after-affects of a crisis in the perpetual FRN actor in the late 1980s.

The crisis, and the subsequent sell-off, severely dented investor confidence in the FRN market and caused liquidity to dry up. In addition, the start of the buil run in the US Treasury market gave investors another vessor to continue to mother reason to continue to avoid the market.

However, sentiment towards the FRN market has improved substantially over the past year. Syndicate managers say that one of the main factors has been a fall in swap spreads against US Treasuries over the past year. This has limited the er of arbitrage opportuni-

As a result, it has often been difficult for borrowers to issue in the fixed-rate market and swap the proceeds into a floatber of borrowers has returned to the FRN market, where attractive funding rates are

At the same time, there has been a rise in demand for retail investors. Both categories of investor have been attracted by the yield spread over Libor which the notes

Banks hungry for assets have been keen buyers of FRNs, while FRNs issued by sovereign borrowers have been bought by central banks. In addition, the low interest rate environment has increased the attraction of FRNs in the eyes. of retail investors wanting to preserve their income.

Syndicate managers say if US rates do rise next year, as many aconomists predict, the investment appeal of FRNs should increase. This in turn should enable the market's liquidity to continue to improve. The defe

notes should provide investors with a greater degree of capital protection than fixed-rate bonds, when interest rates are tising.

1968 88 80 91 92 98 Since the coupon on the notes is linked to Libor and is re-set every three months, the coupon will rise in line with

yields in the market. The strong investor demand has contributed to the improvement in the spreads which borrowers have to pay over Libor. It has also enabled the notes to perform well in

the secondary market.
For example, the spread over
Libor on Italy's \$25m offering of five-year FRNs has tightened to around 19 basis points from just over 30 basis points at the launch in June. As well as Italy, Sweden and Denmark have raised rela-

cate managers say the return of sovereign borrowers has helped to restore credibility to the market. "The jumbo issues of this year show that sovereign bor-

rowers are now able to get decent sub-Libor funding in decent size," says Mr Tim Skeet, senior vice-president on the syndicate desk at Kidder Peabody, one of the leading players in the FRN market. Syndicate managers believe that spreads will continue to tighten over the next year, and

that sovereign borrowers should be able to raise funds below Libor minus %, the benchmark established by Denmark in August when it raised \$1bn through an offering of The only potential problem looming over the market is a lack of fee discipline among the investment banks, espe-

cially those who are keen to Dick up market share now that FRNs have become fashionable The market is definitely back, but not to the extent that

Commerzbank can seli notes at Libor plus one basis point," says one FRN specialist at an American bank

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Paribas plans Axime bid after lifting stake to 50%

By Alice Rawsthorn in Paris

Paribas, the prominent French banking group, plans to extend its portfolio of industrial investments by taking control of Axime, an information ser-

vices company.
On Friday, Paribas bought a
132 per cent stake in Axime
for FFrs8.7m (\$16.7m) from a group of institutional investors thereby raising its holding to 50.4 per cent. It announced plans to make an offer for the remaining shares in the company, apart from the 26 per cent stake held by Compagnie Generale des Eaux, the utilities

Générale des Eaux plans to hold on to its Axime stake. Paribas has offered FFr280 a share for the remaining equity which is divided between private and institutional investors. Axime is valued at FF1748m on the offer price.

Paribas, which has interests in the information services field through the SEMA Group, said the offer for Axime formed part of its policy of becoming the controlling shareholder in "companies that we consider have high growth potential". Paribas has in recent years pruned its industrial portfolio by ceding some of its periphAxime, which operates a pay-ment system for tele-marketing and direct marketing services as well as providing general information services has had a difficult time in recent years as a result of the pressures on the French market

However, the company, which employs 2,400 people, is recovering after rationalising and restructuring its interests.
It recently announced that it returned to the red with a net profit of FFr65m, on sales of FFr1.9bn, in the 12 months to June 30 after making a net loss of FFr82m in the previous

Italian banks agree takeover

By Haig Simonian

Banca Popolare di Verona, a big north Italian regional bank, has reached agreement to take a controlling interest in Banco San Geminiano e San Prospero, similar-sized rival, for about L1,040bn (\$600m).

The accord, reached late on Thursday, ends Italy's first hostile bank takeover bid and comes at a time of unprecedented ferment among regional

Last week, Deutsche Bank agreed to buy Banca Popolare di Lecco, a 100-branch regional bank located just north of

Milan, at an estimated total cost of L840bn. Separately, the Parma savings bank, which has expanded through a series of local mergers, is in talks to buy Credito Commerciale, another Milan-based regional

The San Geminiano deal, in which the bank called in Schroders of the UK as its adviser, was a cliffhanger until the last minute, with two other potential suitors waiting in the wings. However, San Geminiano's board eventually decided to accept a greatly improved offer from the Veronese after a

Banca Popolare di Verona will now buy an estimated 60-65 per cent of Banco San Geminiano, rather than the 47 per cent originally

The increase stems from a commitment to buy all the stock tendered by shareholders owning less than 1,000 shares rather than a partial purchase That commitment, and an earlier decision to raise the offer price to L200,000 a

Sumitomo of Japan in seamless tubes, last year delivered 748,000 tonnes of share from L180,000, effectively clinched the deal, along with guarantees on boardroom representation for San Geminiano.

In recent months, fiva has been buying out some of the minority partners in Dalmine, ostensibly to prepare for the sale of a large stake. Bankers have hesitated to put a value to the holding in view of the current crisis in the European

steel industry.
Ilva, which is formally in liquidation, is being split into two companies. The first, speclaffsing in flat products, will comprise the group's big Tar-anto integrated steelworks and the Novi Ligure plant, while the second will be based on the Terni spectal steels wit.

Ilva lost L2,309bu last year on group sales of L10,087bn. The company, which is planning to shed about 11,600 jobs. had net debts of L7,500bn at the end of June.

Ilva to sell holding in steel tubes **business**

By Haig Simonian In Milan

Ilva. the Italian state-owned steel group which is being liquidated as part of a large restructuring, is to sell its 86.4 per cent stake in Dalmine, the world's third-biggest manufacturer of seamless steel

Barclays de Zoete Wedd, the securities arm of Barclays Bank, has been given the mandate to find a buyer as part of the urgent need to raise cash for Ilva and privatise its

Demonstrating that mean-ingful parts of the Ilva group are being privatised will be a significant boost to the argu-ments being used by Italian negotiators in their battle of wills with the European Commission in Brussels over state aid and capacity cuts.

Dalmine, which is based near the north Italian city of Bergamo, is listed on the stock market and profitable. Net group earnings last year amounted to L5.6bn (\$3.4m) on sales of L1,016bn. The company, which trails

ernment announced plans to raise \$300m by issuing Eurobonds to develop the mainly Mannesmann of Germany and Shi'ite southern suburbs of Beirut, and a road network.

Mr Riad Salameh, Lebanon's new central bank governor, said he is confident the Euro-

ebanon's struggle for self-renewal after 17

years of devastating

war marks a new

approach to the financing of development in the Middle

thetic Western countries.

Donor money is plainly in short supply. As a result, the

Lebanese government has been

forced to seek alternatives to finance its reconstruction pro-

gramme, priced at \$14bn in

It is asking private investors

to buy a stake in Lebanon's

future. On November 1, Soli-

dere, a \$1.5bn property com-pany set up to rebuild the cen-

tre of Beirut, launched a \$650m

Arab equity offering, one of the

biggest share issues in the

A few weeks later, the gov-

real terms over 10 years.

bonds will be well received when they are issued in "the next few weeks". He expects Lebanon's low foreign debt of around \$500m, or 10.6 per cent of GNP, and the government's "credibility" to ensure the

Lebanon offers a part in its future

The country has turned to capital markets, writes James Whittington

Gone are the days when Leb-Lebanon has not defaulted anon's pressing needs to rebuild its infrastructure could on any international loans be achieved by funds from gensince the start of the civil war in 1975. In Mr Rafik Hariri, it erous oil-producing states in the Arab world and sympahas a prime minister with a proven track record in busi-ness and one of the strongest The industrialised world is jittery about recession, and the financial teams in the region. big Gulf states are pensively examining huge budget deficits The country also has gold reserves worth around \$3.8bn, as oil prices continue to fall.

> selling or pledging the asset. Mr Salameh explained that no manager had yet been appointed to arrange the offering, but Merrill Lynch, the US securities house, and Banque Paribas, the French bank, have both been approached. He said the bonds were likely to be priced to yield between 350 and 400 basis points over US trea-

although Lebanese law forbids

the government from either

🖥 he governor, who joined the central bank in August from his post as vice-president of Merrill Lynch in Paris, said that under the present climate of international belt-tightening, Lebanon will have to rely on capital markets and equities to finance much of its rehabilita-

"I think that if the Eurobond issue is successful, then it will raise capital for Lebanon We might have some syndicated loans but would prefer to go to

capital markets," he said, The launch of shares in Solidere appears to have met a strong response. Mr Abdel-Hafiz Mansour, deputy general manager of the company, expects the offer to be oversubscribed.

Existing land and property owners of the 165 acre area in the centre of Beirut earmarked for development will be given priority in the allocation of shares. They will be followed in pecking order by Lebanese residents, government institutions, Lebanese expatriates liv-ing abroad, and citizens of Arab states who, it is expected, will include many prominent Saudis.

A maximum 10 per cent individuai stake will ensure no single shareholder can take overall control of the company, and the subscription remains open until January 10. The cash raised will be used to finance the first phase of redevelopment of what used to be Belrut's bustling commercial cen-

Mr Salameh explained Lebanon's reconstruction programme - named Horizon 2000 would be 70 per cent financed by the private sector and 20 per cent

by foreign aid and loans. By his estimates, Lebanon will have to borrow \$2.8bn in external finance over the 10-year period "which is reasonable considering GNP [put at \$7.5bn for 1993 by the central bank] and the economic expan-sion planned for the next five years," he said. The rest will come from government revenues and internal borrowing.

Donor commitments to date do not exceed \$1.4bn, including \$175m from the World Bank. A Bank-sponsored consultative group meeting planned for December is expected to result

owever, Lebanese officials admit that since the historic agreement signed between the Palestine Liberation Organisation and Israel in September, available funds for Middle East development are likely to be pledged to the occupied territories rather than war-torn Lebanon. In the light of this, Mr Hariri's big gamble is that once the reconstruction ball starts rolling, with finance raised by capital markets and donor countries, then Lebanese expatriates holding overseas assets of between \$30bn and \$40bn

In this way, it is likely that market forces will determine the future of Lebanon.

will keep up the momentum

through investment and remit-

Chinese power plant project

Sembawang Resources, part of the Singapore government-controlled Sembawang group of companies, has signed an agreement with companies in China to develop a S\$1.9bn (US\$1.2bn) power plant in Ningbo, a coastal city in Zhe-Jiang province, writes Kieran Cooke

Under the deal, Sembawang will organise international capital, in the form of both equity and loans, to develop the 2,400MW coal-fired plant at Ying Long Shan, about 40km south-east of Ningbo.

Berjaya in Hyundai deal

By Kleren Cooks

Berjaya, one of Malaysia's fastest expanding conglomerates, has signed an agreement with the Hyundai Motor of South Korea to produce com-mercial vehicles for Malaysia's domestic market and for

export.
The joint venture company. described as a Malaysian national commercial vehicle project, will assemble, distribute and service right-hand versions of Hyundai's lightweight

The partners say they expect to produce 10,000 light trucks a year in Malaysia, beginning in

Dr Mahathir Mohamad, the Malaysian prime minister who was present at a signing ceremony at the weekend, called South Korean companies to invest more in Malay-

Berjaya, which is controlled by Malaysian Chinese entrepreneur Mr Vincent Tan, has a per cent stake in the project while an affiliated company will hold a similar

Henkel hit by costs of early retirement plan

Pre-tax profits at Henkel the German chemicals, cosmetics and cleaning products group, fell by 16 per cent to DM422m (\$251.2m) in the first nine months of the year.

Mr Hans Dietrich Winkaus. chief executive, said the decline was partly due to extraordinary expenses to pay for the early retirement of workers in 1998 and 1994. The company plans to cut 1,300 jobs by the end of 1994, of which 1,000 will be in Germany.

Sales for the period fell 2 per cent to DM10.5bn. The decline was mostly the result of currency fluctuations, Mr Winkaus said. Without this, sales would have improved by 0.4 per cent for the nine months.

The chief executive said he expected sales for the whole year to show a 2 per cent decline, despite earlier statements this year predicting turnover would remain con Depressed demand caused

sales for period to drop 8 per

Bank of Nova Scotia raises dividend by 6%

By Bernard Simon in Toronto

Bank of Nova Scotia has raised its quarterly dividend after posting a 6 per cent rise in

fiscal 1994 earnings. The bank, Canada's fourthbiggest, attributed the higher earnings to a combination of strong investment banking revenues, a 10 per cent growth in assets, an improved developing world loan portfolic, and tight cost controls.

Net earnings advanced to C\$714m (US\$558.5m), equal to C\$2.98 per common share, in

the year to October 31, from C\$876m, or C\$2.94 a share, a vear earlier. A larger number of shares outstanding pushed the return on equity down to 14.4 per cent from 15.7 per cent. The quarterly dividend has been raised from 28 to 29 cents a share.

Loan-loss provisions rose to C\$465m from C\$449m. The latest figure includes a C\$300m reversal of developing world loan provisions, of which was re-allocated to specific provisions for other



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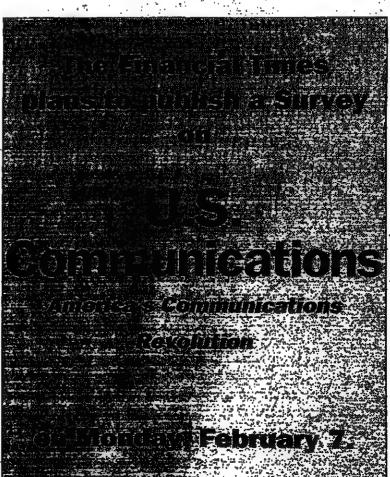
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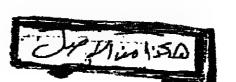
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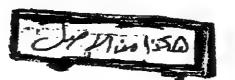
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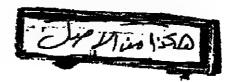
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MONDAY

Hosokawa rides high



Debate on the government's plans to reform Japan's scandal-prone electoral system begins in the upper house of parliament, having passed the lower house on November 18. The

position of prime minister Morlhiro Hosokawa (above) has been strengthened by an opinion poll last week which gave his cabinet a 73.5 per cent approval rating.

Milk shake-up: The UK government's consultation period on plans for liberalising the milk market ends, when minister of agriculture Gillian Shephard must weigh up proposals by the Milk Marketing Board to turn itself into a voluntary farmers' co-operative called Milk Marque. The plan has been attacked by dairy companies which think it will restrict competition and mean higher prices

for consumers. Today is also the start of the Smithfield agricultural show at London's Earls Court exhibition centre.

Gatt delecations from the 116 nations engaged in the Uruguay round in Geneva begin "evaluation" of all market access offers for goods and services on the table.

Loans to Irag: Christopher Drogoul, former Atlanta branch manager for Banca Nazionale del Lavoro, faces sentencing in Atlanta on 70 counts of conspiracy, mail fraud and wire fraud in connection with the hank's illegal loans to Iraq.

Russia's first deputy prime minister Yegor Gaidar meets mineworkers' leaders to try to negotiate a solution to a strike threat from Wednesday.

Moldova, a former republic of the Soviet Union, is slated to introduce its own currency, the Leu.

Feruzzi Finanziaria, the holding company for Italy's second largest private company, and Montedison, its main industrial subsidiary, are due to hold board meetings in advance of Tuesday and Wednesday's sharehold ers' meetings in order to assess banks' response to the group's ambitious multibillion lira rescue plan – one of the biggest corporate restructurings Europe has seen.

Rousseau to go: Tonight Christie's in London auctions the most important painting by the eccentric French post-Impressionist artist Henri Rousseau to appear at auction in 20 years. It is a portrait of the dealer Joseph Brummer and is estimated at £2m.

Parallellar in the released this second



TUESDAY

Mr Clarke gives his Budget

In the UK Budget, attention will be focused on how Kenneth Clarke, the chancellor, rises to the challenge of reducing the projected £50bn public sector deficit. He has indicated that he intends to stimulate industry and that tax rises will be targeted at consumers rather than business.

CSCE meeting: Foreign ministers from the 52 states of the Conference on Security and Co-operation in Europe (CSCE) meet in Rome to review peacekeeping efforts and the monitoring of actual and potential conflicts from Bosnia to Tajikistan. High on the agenda will be a discussion of Moscow's attempt to gain western moral and financial backing for Russia's controversial "peace-keeping" operations beyond its southern borders.

Franco-German summit: The regular twice-yearly Franco-German talks take place in Bonn (to Dec 1). French president François Mitterrand and Helmut Kohl, the German chancellor (pictured below), are expected to discuss Gatt, the next European summit and the outlook for the EU after Maastricht. Also present will be French prime minister Edouard Balladur, various of his ministers, and their German counterparts.



Glaxo. The largest pharmaceuticals group in Europe, and the world's bigest spender on drugs R&D, is to brief analysts on details of its drugs under development. The company will reveal for the first time since December 1991 how it has been spending its R&D budget, some \$1.15bn this year. Details of the group's products and international operations will also be given.

Feruzzi Finanziaria holds an extraordinary general meeting to discuss the the L2,932bn (\$1.7bn) recapitalisation and creditors' debt-for-equity conversion swap.

How low can they go? The first UK Costco store opens at Thurrock, Essex. The US warehouse club operator is bound to intensify the price war among food retailers.



UN sanctions against Libya

Further UN sanctions against Libya are due to take effect after a grace period. They come in the face of the continued failure of Tripoli to hand

over the two agents suspected of planting the bomb that destroyed a Pan-Am jumbo jet over the Scottish town of Lockerbie in 1988. Libyan assets abroad will be frozen, with the exception of those which come

from the sale of oil, gas and farm produce. There will be an embargo on Libyan imports of technology, with the exception of spare parts for the oil and gas industry. The US and UK had called for tougher measures; their mildness is due to the insistence of continental European countries.

United Airlines dispute The large US carrier is due to resume talks with unions representing its pilots and machinists. The compa

ny's restructuring plan, intended to improve profitability, involves staff lay-offs and a sale of assets which its unions oppose. A fort-night ago, United rejected a union offer to acquire 60 per cent of the company in return for staffing concessions.

Trade talks: Mickey Kantor, the US trade representative, is expected to begin critical talks in Brussels with Leon Brittan, EU trade commissioner. They are under mounting pressure to complete an agreement on cutting tariffs on manufactured goods and farm products.

Agreement is an essential precondi-tion for successful conclusion of the Uruguay round by the December 15

ssian coal miners in Vorkuts, the main coal mining area in the arctic circle, are threatening to strike and could be supported by miners in Siberia. The political implications of the strike could be as important as their industrial consequences. The miners played a vital role in bringing down the Communists in 1989. A strike against President Boris Yeltsin's reform programme could deal it a heavy blow.

etedison holds an extraordinary shareholders' meeting to discuss the L5,170bn (\$3bn) recapitalisation and creditors' debt-for-equity conversion

Japan: The Bonen-kai (forget the year) season of corporate cocktail parties begins and lasts all month. Proceedings are expected to be muted this year in view of the recession which saw the Nikkei decline 6.8 per cent last week.



THURSDAY

Bundesbank council meets

The policy-making body of the German central bank gathers for the last-butone session this year. Following last week's fall in inflation, many market operators are expecting another 50 is-point cut in the official discountand Lombard rates.

Foreign ministers' slog: Nato foreign ministers, hot-foot from the CSCE meeting in Rome, fly to Brussels for a meeting at Nato headquarters: In the evening, 12 of them travel acros town for an all-night European Union session on the Gatt Uruguay Round world trade talks, which has been called by France.

The French have said a "pre-accord" between the EU and the US must be on the table for examination at this meeting, otherwise the December 15 leadline cannot be met.

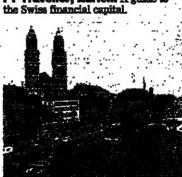
On Friday, the 12 foreign ministers change hats again and return to Nato headquarters for a meeting with foreign ministers from eastern Europe and the former Soviet Union.

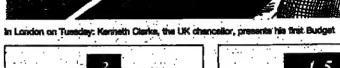
anish labour unrest: Prime Minister Feline Gonzalez is due to meet union leaders and employers' representatives in a bid to ease mounting industrial tension and avert a possible oneday general strike. Unions object to the government's plans to reduce dismissal costs and remove rigidities from domestic labour legislation.

Royal Doulton: Shares in the fine-china manufacturer which is being demerged from Pearson, the media conglomerate and owner of the Financial Times, are expected to begin trad-ing at between 180p and 250p. Pearson's sting shareholders are being offered one Royal Doulton share for every 10 held in the media parent.

in the saleroom: The veteran car Genevieve, a four-seater 12hp Darracq, made famous in the 1953 film of the same name, is to be auctioned by Brooks of London. The price may top £300,000.

FT Traveller, Zürich: A guide to





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UK prime minister John Major and Ireland's premier Albert Reynoids are scheduled to hold a summit in Dublin, intended to add momentum to the latest peace effort in Northern

FRIDAY

Ulster peace initiative

However, it is uncertain whether the meeting will take place as planned or be postnoned.

Gatt: Negotiators in Geneva will debate the US-EU market access package which they hope will have been unveiled in Brussels two days earlier. A full assessment of the impact of the round on developing countries should also be tabled.

canese economy: The world's second biggest economy is struggling with its worst recession for 20 years. Today, the OECD releases an economic report on Japan and the FT publishes a survey of Japanese Industry.



WEEKEND

Electors of Brandenburg

Sunday's local government elections in this eastern German state should indicate how far voters are disillustoned with mainstream political parties ahead of next year's 19 poils.

Jacquee Delors, EU president, will try at a special meeting of finance ministers on Sunday to get his plan for tackling unamployment adopted.

Yenezuelan elections: Opinion polls show 77-year-old former president, Rafael Caldera, ahead of 17 rivals in the presidential contest on Sunday. There are also congressional and 22 state elections.

akeasy: From Saturday, the UK's BT telephone company is cutting the price of calls anywhere in the country to 100 for 3 minutes.

ECONOMIC DIARY

| Statistics | to be released this week | | | |
|-------------|---------------------------------|-----------------|--------------------|---------------------|
| Country | Economic Statistic | Day Released | Previous Actual | Median Forecast. |
| UK | Nov M0 (month on month) | Mon 29 | 0.4% | 0.4% |
| | Nov M0 (year on year) | Mon 29 | 5.4% | 5% |
| | Nov official reserves | Thurs 2 | up \$32m | up \$50m |
| US | Nov Consumer Confidence | Tues 30 | 59.4 | 62 |
| | Q3 GDP Preliminary | Wed 1 | 2.8% | 2.9% |
| | Nov NAPM Index | Wed 1 | 53.8% | 54.5% |
| | Initial claims - w/e 27 Nov | Thurs 2 | 393,000 | - |
| | Nov non-farm payrolls | Frid 3 | up 177,000 | up 175,000 |
| | Nov manufacturing payrolis | Fnd 3 | чр 12,000 | чр 15,000 |
| | Nov unemployment rate | Fri 3 | 6.8% | 6.7% |
| Japan | Oct housing starts (y/y) | Tues 30 | 10.6% | 11,7% |
| | Oct industrial production | Tues 30 | 2.2% | -5.4% |
| France | Oct unemployment rate . | Tues 30 | 11.8% | 11.9% |
| Germany | Nov unemployment West | Fnd 3 | up 66,000 | up 45,000 |
| | Nov employment West | Frid 3 | down 34,000 | dn 40,000 |
| | Nov unemployment East | Frid 3 | up 7,000 | up 12,500 |
| During this | weak | | | |
| Japan | Oct current a/c | | \$13.3bn | \$11.6bn |
| Germany | Oct industrial production (m/m) | | 2% | 0% |
| Germany | Oct manufacturing output (m/m) | | down 2.4% | down 0.3% |
| Selgium | Nov unemployment (y/y) | | 13.9% | - |

The main economic event in the UK this week is the chancellor's budget statement tomorrow. This will outline changes to taxation and spending, as well as setting out the government's medium term financial strategy.

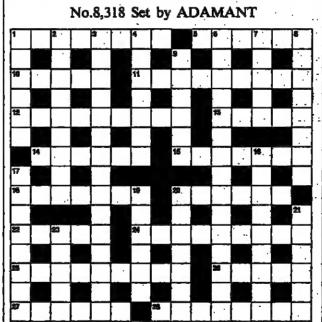
It comes in a quiet week for UK statistics with today's provisional narrow money supply the only official figure of any note. The purchasing managers' index is released on Wednesday. Although the survey has only a limited track record, it is growing in popularity as a guide to economic activity. Many analysts expect it to maintain last month's rebound, with both the orders and output figures broadly the same. The more established US version —

the National Association of Purchasin Managers Index - is also out on Wednesday. Watched closely as an early Indicator of manufacturing health, it is expected to show that orders and output are still buoyant, while prices may fall for the third successive month.

A Bundesbank meeting on Thursday and US jobless figures on Friday add to the week's interest. Non-farm payrolls are expected to rise by about 175,000. There is a steady stream of data in Germany this week, to accompany the

central bank's council meeting. Economists believe the real economy data will show that activity remains sluggish, with no signs of recovery but no signs of a double dip either.

Emma Tucker

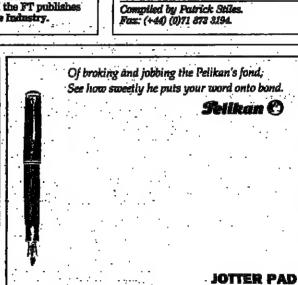


MONDAY PRIZE CROSSWORD

- I Work on hand at out of con-trol river (8)
- Chance danger (6)
- 10 We hear why the surround-ing beather is flat (5) 11 An office in the City (9)
- 12 Room above for sale (9) 13 Animal turn in the cal tonight (5) 14 Pay what is due on the seat
- (6) 15 I object to stupid article on
- bone marrow (7) 18 Graduate in rough seas gets
- sore (?)
 20 Clever enough to develop 9 My clue is solved at college
- State University (6)
 22 Said in France to be the same (5)

 24 Quiet home – all I want for my bird (9) 25 Clumsy boy! The king of France needs the rug
- around (9) 26 Place in firm setting? Pd accept the honour (5)
 27 Youthful frolics enjoying
 physical jerks in Porsches?
- 28 Saucy young ladies who put tokens of love in their reti-cules? (3)

- 1 Claim about eastern ill-feeling (6) 2 On Number One, Monica's
- not grunting! (9)
 Mouthpiece of the tobacco
 lobby? (9,6)
 Story of Nelson's followers 4 Story of Neison's followers in the capital (7) 6 It will clear the atmosphere for publishing views about the proviso (3-12) 7 Raise tax on a share (5) 8 At least such a fantasy should not be a nightmare
- (6)
 Poor Bert consumed by awful guilt at being an anvironmental pest (9)
 17 Terror of swallowing up
 medicine is affecting all the
- world (8)
 Issue about hip broken by
 water pipe (6)
 Song of rising revolution-19 20 aries and French volunteers
- 21 Fly did badly in unfinished case (6) 23 Put up about a pound





SINGLE CASK MATURED BRANDY.



Statistics, courtesy MMS International.

Monday 29: The Seventh **European Finance Convention**

and Ecu Week begins. The

theme is the timetable for European monetary union

after the collapse of the ERM (to Dec 3). Thursday 2: European Union foreign affairs ministers hold a special meeting to discuss progress in the Gaft talks at the request of France. It will provide a test of unity ahead of the December 15 deadline

for a Gatt deal. Ministerial meetings of the North Atlantic Council and the North Atlantic Co-operation Council take place to prepare for January's Nato summit (to Dec 3).

Friday 3: The European round table of industrialists unveils a report called "Beating the Crisis - a charter for Europe's Future". It is seen as a counterweight to Jacques Delors' white paper on competitiveness, employment and growth.



This week the nation slowly

cranks itself up after the

Tuesday 30: The World Bank hosts a conference on

"Overcoming Global Hunger"

Speakers include the UN

president Jimmy Carter, Bank

president Lewis Preston, and

congressman Tony Hall, the

a 23-day fast earlier this year

to raise public consciousness

multilateral meeting of leading

of world hunger.

Thursday 2: The US

representatives host a

aluminium producing

countries, including Russia.

The main purpose of the

gathering is to discuss what

governments can do to help

limit uphcavals in the western

aluminium markets which are

being caused by exports from

government trade

Ohio Democrat who staged

secretary-general Boutros

Boutros Ghali, former US

Thanksgiving holiday.

(to Dec 1).



POLITICAL DIARY

0 0 0 3 11 TOKYO

> in the Lower house on Tuesday 30: Mr Carlos Menem, president of Argentina arrives for an official working visit from Dec 1 to 5. He will have talks with prime minister Morihiro Hosokawa. A second supplementary

Monday 29: Debate on the

government's plans to reform

Japan's scandal-prone electoral

system begins in Upper house of parliament, having passed

budget is due to be discussed in the Upper and Lower bouses (to Dec 2). It aims to boost the stuggish economy and provide relief for (armers hit by the unusually cool and wet

Wednesday 1: Tokyo's Hotel New Japan, where a fire killed 33 people in 1982 is to be auctioned. The district court has set a reserve price of Y99,4bn. Last week, the former owner, businessman Hideki Yokol, received a three-year prison sentence for negligence.



Monday 29: The bill to liberalise trading on Sunday will receive its second reading, following the government's concession allowing working on Sunday to be voluntary for some employees. Unusually, there will be a free vote. Tuesday 30: Proceedings will be dominated by Kenneth Clarke, chancellor of the exchequer, who is presenting his first Budget.

For the first time, the government's decisions on taxation and spending will be dealt with together. Wednesday 1: In the Lords, the Opposition will open a debate on the motion of "no confidence in the policies of the government". The foreign affairs select

relations between the UK and China Malcolm Rifkind, the defence secretary, will give evidence on expenditure to the defence select committee.

committee is to discuse



